

and the Senator from Alabama (Mr. SPARKMAN) are absent on official business.

I further announce that, if present and voting, the Senator from Nevada (Mr. BIBLE), the Senator from Nevada (Mr. CANNON), the Senator from Idaho (Mr. CHURCH), the Senator from Missouri (Mr. EAGLETON), the Senator from Mississippi (Mr. EASTLAND), the Senator from North Carolina (Mr. ERVIN), the Senator from Tennessee (Mr. GORE), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Minnesota (Mr. MCCARTHY), the Senator from Rhode Island (Mr. PELL), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Maryland (Mr. TYDINGS) would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Idaho (Mr. JORDAN), the Senator from South Dakota (Mr. MUNDT), the Senator from Illinois (Mr. SMITH), and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

I further announce that the Senator from New York (Mr. JAVITS) is absent on official business.

The Senator from Arizona (Mr. GOLDWATER) and the Senator from New York (Mr. GOODELL) are detained on official business.

If present and voting, the Senator from Tennessee (Mr. BAKER), the Senator from Arizona (Mr. GOLDWATER), the Senators from New York (Mr. JAVITS and Mr. GOODELL), the Senator from Idaho (Mr. JORDAN), the Senator from South Dakota (Mr. MUNDT), the Senator from Illinois (Mr. SMITH), and the Senator from Alaska (Mr. STEVENS) would each vote "yea."

The yeas and nays resulted—yeas 80, nays 0, as follows:

[No. 129 Ex.]

YEAS—80

Aiken	Gurney	Muskie
Allen	Hansen	Nelson
Allott	Harris	Packwood
Anderson	Hart	Pastore
Bayh	Hartke	Pearson
Bellmon	Hatfield	Percy
Bennett	Holland	Prouty
Boggs	Hollings	Proxmire
Brooke	Hruska	Randolph
Burdick	Hughes	Ribicoff
Byrd, Va.	Inouye	Russell
Byrd, W. Va.	Jackson	Saxbe
Case	Jordan, N.C.	Schweiker
Cook	Long	Scott
Cooper	Magnuson	Smith, Maine
Cotton	Mansfield	Spong
Cranston	Mathias	Stennis
Curtis	McClellan	Symington
Dodd	McGee	Talmadge
Dole	McGovern	Thurmond
Dominick	McIntyre	Tower
Ellender	Metcalf	Williams, N.J.
Fannin	Miller	Williams, Del.
Fong	Mondale	Yarborough
Fulbright	Montoya	Young, N. Dak.
Gravel	Moss	Young, Ohio
Griffin	Murphy	

NAYS—0

NOT VOTING—20

Baker	Goldwater	Mundt
Bible	Goodell	Pell
Cannon	Gore	Smith, Ill.
Church	Javits	Sparkman
Eagleton	Jordan, Idaho	Stevens
Eastland	Kennedy	Tydings
Ervin	McCarthy	

The PRESIDING OFFICER. Two-thirds of the Senators present and voting having voted in the affirmative, the resolution of ratification is agreed to.

VIENNA CONVENTION ON CONSULAR RELATIONS

The PRESIDING OFFICER. Under the previous order, the Senate will proceed to vote on Executive E, First Session, 91st Congress, the Vienna Convention on Consular Relations.

The question is, Will the Senate advise and consent to the resolution of ratification? On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada (Mr. CANNON), the Senator from Idaho (Mr. CHURCH), the Senator from Missouri (Mr. EASTLAND), the Senator from North Carolina (Mr. ERVIN), the Senator from Tennessee (Mr. GORE), and the Senator from Minnesota (Mr. MCCARTHY), are necessarily absent.

I also announce that the Senator from Nevada (Mr. BIBLE), the Senator from Missouri (Mr. EAGLETON), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Rhode Island (Mr. PELL) and the Senator from Alabama (Mr. SPARKMAN), are absent on official business.

I further announce that, if present and voting, the Senators from Nevada (Mr. BIBLE and Mr. CANNON), the Senator from Idaho (Mr. CHURCH), the Senator from Missouri (Mr. EAGLETON), the Senator from Mississippi (Mr. EASTLAND), the Senator from North Carolina (Mr. ERVIN), the Senator from Tennessee (Mr. GORE), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Minnesota (Mr. MCCARTHY), the Senator from Rhode Island (Mr. PELL) and the Senator from Alabama (Mr. SPARKMAN), would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Idaho (Mr. JORDAN), the Senator from South Dakota (Mr. MUNDT), the Senator from Illinois (Mr. SMITH), and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

I further announce that the Senator from New York (Mr. JAVITS) is absent on official business.

The Senator from Arizona (Mr. GOLDWATER), and the Senator from New York (Mr. GOODELL) are detained on official business.

If present and voting, the Senator from Tennessee (Mr. BAKER), the Senator from Arizona (Mr. GOLDWATER), the Senators from New York (Mr. JAVITS and Mr. GOODELL), the Senator from Idaho (Mr. JORDAN), the Senator from South Dakota (Mr. MUNDT), the Senator from Illinois (Mr. SMITH) and the Senator from Alaska (Mr. STEVENS), would each vote "yea."

The yeas and nays resulted—yeas 81, nays 0, as follows:

[No. 130 Ex.]

YEAS—81

Aiken	Brooke	Cranston
Allen	Burdick	Curtis
Allott	Byrd, Va.	Dodd
Anderson	Byrd, W. Va.	Dole
Bayh	Case	Dominick
Bellmon	Cook	Ellender
Bennett	Cooper	Fannin
Boggs	Cotton	Fong

Fulbright
Gravel
Griffin
Gurney
Hansen
Harris
Hart
Hartke
Hatfield
Holland
Hollings
Hruska
Hughes
Inouye
Jackson
Jordan, N.C.
Long
Magnuson
Mansfield

Mathias
McClellan
McGee
McGovern
McIntyre
Metcalf
Miller
Mondale
Montoya
Moss
Murphy
Muskie
Nelson
Packwood
Pastore
Pearson
Percy
Prouty
Proxmire

Randolph
Ribicoff
Russell
Saxbe
Schweiker
Scott
Smith, Maine
Spong
Stennis
Symington
Talmadge
Thurmond
Tower
Tydings
Williams, N.J.
Williams, Del.
Yarborough
Young, N. Dak.
Young, Ohio

NAYS—0

NOT VOTING—19

Baker	Goldwater	Mundt
Bible	Goodell	Pell
Cannon	Gore	Smith, Ill.
Church	Javits	Sparkman
Eagleton	Jordan, Idaho	Stevens
Eastland	Kennedy	
Ervin	McCarthy	

The PRESIDING OFFICER. Two-thirds of the Senators present and voting having voted in the affirmative, the resolution of ratification is agreed to.

LEGISLATIVE SESSION

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Senate return to the consideration of legislative business.

There being no objection, the Senate resumed the consideration of legislative business.

EULOGIES FOR THE LATE SENATOR DIRKSEN

Mr. BYRD of West Virginia. Mr. President, at the request of the able majority leader, I ask unanimous consent that eulogies for the late Senator Everett McKinley Dirksen be given on Wednesday, October 29, commencing at 1 p.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. I make that statement in order that Senators might be put on notice and have ample time in which to prepare their eulogies for that occasion.

EXPORT EXPANSION AND REGULATION ACT OF 1969

The PRESIDING OFFICER. The Chair lays before the Senate the unfinished business, which the clerk will state.

The BILL CLERK. S. 2696, to provide for continuation of authority for the regulation and expansion of exports, and for other purposes.

The Senate resumed the consideration of the bill.

Mr. MONDALE obtained the floor.

Mr. BYRD of West Virginia. Mr. President, will the Senator from Minnesota yield for the purpose of my asking for a brief quorum call, without the Senator's losing his right to the floor?

Mr. MONDALE. I yield.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, I ask that the Senate be in order.

The PRESIDING OFFICER. The Senate will be in order. The Senator from Minnesota may proceed.

Mr. MONDALE. Mr. President, before I begin my discussion on the pending bill, the Senator from North Dakota (Mr. BURDICK) has stated that shortly he will ask me some questions relating to certain restrictions imposed by the Department of Commerce, and I look forward to that colloquy.

Mr. President, over a year and a half ago, the International Finance Subcommittee of the Banking and Currency Committee began a study of the export control laws. The legislation before the Senate today, the Export Expansion and Regulation Act of 1969, is the result of that study. It is a direct result of the exhaustive hearings and the efforts by individual members of that committee personally to view the areas and talk with the leaders concerned about the problems.

Many of the members of the Banking and Currency Committee contributed to the development of this new approach to export control, and I am pleased to have shared in the preparation of the committee-reported legislation. I am pleased to report that the proposal enjoys a strong bipartisan support and is a product, in addition to those of us on the majority side, of creative contributions by the minority members of the committee.

Basically, the legislation retains U.S. control over exports to Eastern European countries; it retains the President's flexibility to administer the controls. At the same time, it updates the controls to respond to important changes in the international trade picture and to the needs of American businessmen.

The bill, reported by the Banking and Currency Committee, does the following:

First, declares a national policy of encouraging trade in peaceful goods and restricting trade in goods with significant military applications.

Past uncertainty about Government East-West trade policy has hampered American business exports, to the detriment of our trade balance. The language of the Export Control Act of 1949 conveys U.S. attitude against trade with Russia and Eastern Europe, regardless of the nature or the goods sought to be exported. The new policy of encouraging trade reflects that the open hostility of 20 years ago has eased. The United States must take advantage of changing circumstances such as the mood expressed by Soviet Foreign Minister Andrei A. Gromyko, speaking this year in Moscow to the Supreme Soviet:

We are for the development of good relations with the United States and would like these relations to be turned into friendly ones because we are convinced that this would correspond to the interests of both the Soviet and American peoples.

One way is by increased trade which reduces tensions and increases mutual contact and understanding.

Since enactment of the original Export Control Act in 1949, the nations of Eastern Europe have acquired the capacity to manufacture sophisticated items to meet their own needs. What they do not produce themselves, they can acquire from almost any other sophisticated nation of the world. While the categories of nonmilitary goods which might reach Eastern markets, about 1,100 of these goods are fully available to Eastern Europe from other free world sources. These controls have little or no effect on Eastern Europe. They simply mean that American businessmen are at a disadvantage competing for trade in Eastern markets.

The trade statistics reflect this disadvantage: the United States has less than 2 percent of the fastest growing market in the world. At a time when the United States needs to increase its trade balance surplus, it can no longer afford to ignore a vital market unless some overriding national objective is served.

This situation is deteriorating. In the quarterly report for the first quarter of 1969, the Department of Commerce reports that U.S. exports to the U.S.S.R. and the other countries of Eastern Europe during the first quarter of 1969 totaled \$39.3 million. This was a decrease from exports of \$62.5 million in the previous quarter and \$55.2 million in the first quarter 1968. Exports to these countries in the first quarter 1969 represented 5 percent of total U.S. exports for that period.

U.S. imports from the U.S.S.R. and Eastern Europe during the first quarter of 1969 amounted to \$41.8 million, a decrease from the \$45.8 million imported in the previous quarter and from the \$58.5 million imported in the first quarter of 1968. First quarter imports from Eastern Europe represented 0.6 percent of the total U.S. imports for that period.

I shall, later in my remarks, indicate that these percentages are astonishingly beneath the standard percentage of world trade which the United States enjoys elsewhere in the world. I think a good deal of what might be called pathetically weak trade with that area of the world is attributed to the present law, and to the present administration of that law as vested in the Department of Commerce, and by virtue, as well, as regulations under which that act is administered.

The committee view, set out in its report, is "that any restriction of exports is unwarranted if it does not serve some positive function." Although the size of American involvement in East-West trade has not been large, export control legislation has given Department of Commerce administrators control over more than \$30 billion worth of exports per year to all countries of the world. Therefore, section 3 of the reported bill declares a national policy of encouraging trade in peaceful goods with all countries with which we have diplomatic or trading relations except where the President shall determine otherwise.

Section 3 also states the policy of the United States to restrict the export of goods and technology which would make a significant contribution to the military potential of any nation which would prove detrimental to the national security of the United States. Present legislation contains no explicit restrictive policy statement.

Section 12 of the new bill requires administration of the export controls in effective coordination with the authority exercised under section 414 of the Mutual Security Act of 1954, the embargo on sales of military items to Communist nations.

Second, eliminates "economic potential" as a measure of whether goods may be exported, thus removing one of the major restrictions of the present Export Control Act.

In 1949, the Soviet war-ravaged economy was beginning a slow-rebuilding process. Now, the Soviets have one of the world's most self-sufficient economies, counting on imports for only 1½ percent of their gross national product. Russia and the other nations of Eastern Europe can obtain anything they need by producing it themselves or purchasing it from our allies.

Trade with Communist nations is not a form of aid. All imports must be paid for, and the money for imports can come only through exports developed by investment in the production of items for export. No nation can gain through imports the economic advancement it is not capable of providing for itself; trade quickens the economic growth of both trading partners. In the world of 1969, U.S. denial of exports to Eastern Europe on the ground that they contribute to the "economic potential" of these nations is an act of self-denial, restricting only the markets and sales open to American business.

Application of the test—whether a U.S. export will make a significant contribution to the economic potential of some nation—has been complicated and frustrating. Inadequate factual evidence, difficult to evaluate, gives rise to differences of opinion and under a rule of unanimity, delays occur.

Therefore, the legislation we consider today removes the "economic potential" test from the operative language of the Export Control Act of 1949 which now provides for "denial of any request or application for authority to export articles from the United States—to any nation or combination of nations threatening the national security of the United States if the President shall determine that such export makes a significant contribution to the military or economic potential of such nation or nations which would prove detrimental to the national security and welfare of the United States.

Third, establishes availability of comparable products from other sources as a consideration in licensing of exports.

I think this is one of the key items which this measure seeks to correct. It is ironic, if not absurd, that today there are over 1,100 items freely available from our allies, not controlled by COCOM, which can be purchased by countries of

Eastern Europe, of a nonmilitary nature, but which U.S. businesses cannot sell because of the unilateral restrictions imposed through the administration of our Export Control Act.

It is manifest—it is obvious—that such restrictions in no way aid the United States and in no way interfere with the countries of Eastern Europe, because they simply buy elsewhere.

The present policy might be called a pro-French policy, or a pro-English or a pro-West German or a pro-Italian or a pro-Japan policy, because the result is simply to assure them markets free from U.S. competition and to deny to us markets that in many cases would obviously be ours, or in which we could compete, if it were not for the unilateral policy of self-denial.

The reported Export Expansion and Regulation Act of 1969 sets out a new test for export licensing. The key operative phrases in section 4(b) provide that express permission and authority must be sought and obtained to export from the United States to any nation or combination of nations if the President determines that the articles, materials, supplies, data, or information sought to be exported would make a significant contribution to the military potential of such nation or nations which would prove detrimental to the national security of the United States and that the articles, materials, supplies, data, or information of comparable quality and technology to that sought to be exported are not readily available from other sources. It is further provided that in the event the President has not made the determination that comparable goods are not available elsewhere, he may still require express permission and authority to export such item if he determines it to be necessary in the interest of national security and includes a detailed statement with respect to that action in the next quarterly report submitted pursuant to the act after the action is taken.

Testimony by American businessmen before the Banking and Currency Committee included numerous examples of lost sales resulting from U.S. export controls.

I intend to give some of those examples later in my remarks.

Items unilaterally controlled by the United States are normally available in comparable kind and quality from a competitor in a nation which does not control such items. While the American businessman to make a sale must seek a license which may be denied his competitor—often from Western Europe or Japan—delivers the goods.

Under the new bill, if goods are available outside the United States, they must be removed from the export control lists unless they are items of military applicability or the President decides otherwise and states his reasons.

I would point out here that the committee very clearly sought, in this measure, not to deny the President any powers that he might need to control or restrict the sale of items, even if available from other countries, if in his judgment those items should be controlled. In no sense did we wish to re-

strict the President or the scope of his powers.

However, recognizing that this act is not administered personally by him, but by the Department of Commerce and by the Export Control Office, which I think has been unduly conservative in this field in those cases where items are freely available elsewhere and are not of military significance, but which items we nevertheless unilaterally restrict, a special report to Congress giving the reasons justifying the present action would be required by this legislation, so that we might analyze the reasons justifying the action, where we unilaterally deny business to ourselves, without hurting the Communists, by simply transferring business opportunities to our Western allies.

The fourth objective sets as policy the uniform application of export controls for all nations with which the United States maintains diplomatic or trade relations except where specifically designated by the President and the formulation of uniform export controls in cooperation with all nations with which we have defense treaty commitments.

The present comprehensive export schedule lists items requiring a validated license for certain countries. All export destinations are divided into seven country groups: Group S, Southern Rhodesia; Group T, all Western Hemisphere countries except Canada and Cuba; Group W, Poland and Rumania; Group X, Hong Kong and Macao; Group Y, Albania, Bulgaria, Czechoslovakia, East Germany, Estonia, Hungary, Latvia, Lithuania, Outer Mongolia, and the U.S.S.R.; Group Z, Communist China, North Korea, North Vietnam, and Cuba; and Group V, all other countries except Canada.

The listing of countries subject to export controls demonstrates the political nature of the controls. For the past 20 years the United States has attempted to express approval or disapproval of political developments abroad through the granting or restricting of trade concessions. Administrative consideration of license applications reflects political events on a day-to-day basis. Although the goal of uniform treatment and trade concessions may be impossible under present circumstances, the policy expressed in section 3(3) would bring advantages both to the conduct of our foreign affairs and to individual American businessmen.

U.S. export controls would have been completely ineffective without the cooperation of Western European countries and Japan. The NATO countries and Japan cooperate through the Coordinating Committee of the Consultative Group—COCOM—to license the shipment of strategic goods to Communist countries.

I emphasize the point that in addition to these restrictions found in the Commerce Department, the United States, with its NATO allies, has a committee known as the COCOM Committee, which coordinates and collectively agrees on a list of items which none of the nations may agree or permit to be sold to Eastern Europe.

This is another protection which we have, to guarantee that items of important military significance may not be sold by us or by any of our allies. It is, in fact, the only effective means the United States has to deny items to Eastern Europe which we feel would be of military significance, which are generally available from other sources.

If there is, for example, an item produced in West Germany which we feel to be of military significance, but which the West Germans do not wish to restrict and which is not restricted by COCOM, unilateral U.S. policy concerning the same item really has no applicability, because it can easily be purchased by those countries from West Germany. It is only through COCOM that we can effectively impose an international standard restricting to any significant degree sales in Eastern Europe of military goods.

The COCOM controls, considerably fewer and less restrictive than the unilateral U.S. controls, apply to the countries of Eastern Europe with the exception of Yugoslavia and to China, North Korea, and North Vietnam. American attempts to include Cuba in the COCOM controls failed.

The NATO countries and Japan, meeting last month, agreed to relax controls further on the export of many strategic goods to the Soviet Union and Eastern Europe. Without a corresponding reduction of U.S. controls, American businessmen will find their competitive position weaker. Ideally, our export control list should be reduced to the level of the COCOM list since only those items which are under a mutual Western embargo will be effectively prevented from reaching Eastern Europe. Therefore, section 3(4) of the reported legislation declares the policy of the United States to formulate, reformulate, and apply any necessary controls to the maximum extent possible in cooperation with all nations with which the United States has defense treaty commitments.

In other words, that responsibility and that power remain unimpaired, and this measure reaffirms our desire to empower our Government to continue to work through COCOM to keep from the hands of the Communist countries of Eastern Europe those items of military significance which collectively we decide we should keep from their hands.

The fifth objective of the measure is to require regular consultation between the Government and American businessmen in setting export standards and licensing procedures.

Permit me to say here that the committee was impressed by the fact that most businessmen who testified before us confessed that the whole process by which their applications were considered, delayed, and denied was something that was kept entirely from their view. They rarely knew what was happening to their applications. They rarely knew who was delaying them, who was denying them, and on what grounds; and when action was finally taken, many times weeks or months later, the reasons were not provided to the American businessman; he was simply told that his application was denied or granted.

Thus there is an effort, in this measure, not to deny the President the power he needs, but to make certain that the American businessman involved receives a just and fair hearing and an opportunity to have his views heard before final action is taken.

Witnesses before the International Finance Subcommittee demonstrated a wide knowledge of the Eastern European market and the problems they encounter with export controls. The administration of any law is aided by regular consultation with those who must live with its restrictions. Therefore section 5 of the reported bill provides that in addition to seeking information and advice from various executive departments—as is the practice under current export control administration, the President's designated administrator of the act, consistent with considerations of national security, must seek information and advice from private industry. In addition, section 4(a)(2) directs the Secretary of Commerce to keep American businessmen informed of changes in export control policies and procedures.

The sixth objective is to require reports to businessmen by Federal agencies whenever a license application faces delay or denial, with specification of reasons, and provides opportunities for businesses to provide further information that may strengthen their applications during the licensing process.

The businessmen witnesses appearing before the subcommittee described their lack of information during the licensing process. Once an application is filed, the applicant is unable to ascertain its status, which of the agencies consulted is holding it up, how long a decision will take or if the license is denied, the reasons.

Section 8 of the act requires the executive branch, insofar as is consistent with national security, foreign policy, and effective administration, to inform each prospective exporter of the considerations which may cause his export license request to be denied or delayed. He must be informed of circumstances which arise during the Government's consideration of the application which delay the process or are cause for denial and be given the opportunity to supply further information which he believes may resolve the problem. If the license is denied, the exporter must be advised of the reasons.

Seventh, requires streamlining of application and processing procedures which industry representatives estimate now cost American businessmen as much as \$100 million per year.

Present export documentation requirements are needlessly expensive for American businessmen. An exporter must file and have authenticated an export document prior to the date of shipping in addition to the export license which he has already received. The purpose of the export document is a check on the licensing, to ascertain that goods are not being shipped in violation of a license or without a license. However, there have been virtually no prosecutions as a result of information obtained by export documentation. An additional purpose of the documents is to obtain trade statistics. Witnesses claimed, and the Department of Commerce agreed, that sta-

tistical information could be obtained on a periodic basis rather than with individual filings for each export.

Because the Department of Commerce has plans for reform in this area, section 7(d) only requires that the cost of export documentation be reduced to the extent feasible. The Department of Commerce must periodically review documentation requirements and report actions taken to reduce costs and redtape.

Eighth, mandates the Office of International Trade Promotion in the Department of Commerce to reorganize its efforts in order to promote American trade wherever the proportion or volume lags behind that of our NATO allies.

The East-West trade market has been growing in the late sixties at the rate of about 24 percent a year. If present trends continue, Eastern Europe by 1980 will have a market the same size as the U.S. market today. Total East-West trade in 1967 with the West was over \$15 billion. In 1966, the United States had 4 percent of this market; in 1967 the U.S. share of the market decreased to between 2.5 and 3 percent of total East-West trade. Three Western countries in 1967 did five times as much trade with the Soviets and five others did three times as much as the United States in the Eastern European market. The United States trails behind Sweden and Austria, accounts for less than one-half the volume of Italy and of France, less than one-third the volume of Japan and of Britain, and less than one-sixth the volume of West Germany. The trend continued downward in 1968, and the Export Control quarterly report for the first quarter of 1969 showed that in addition to lagging proportionately as the market increases, U.S. exports to Eastern Europe actually decreased:

U.S. exports to the U.S.S.R. and the other countries of Eastern Europe during the first quarter 1969 totaled \$39.3 million. This was a decrease from exports of . . . \$55.2 million in the first quarter 1968.

The report goes on to say that during the second quarter 1969 "license applications for commodities valued at \$70 million were denied for export to Eastern Europe."

I must add that American corporations are trading a great deal more with Eastern Europe than official figures show. This trade, which may run as high as \$300 or \$400 million a year, is carried on through American subsidiaries in Western Europe.

The language of the present Export Control Act conveys the attitude that trade with Eastern European countries is against the best interests of the United States, regardless of the nature of the goods involved. The realities of our improving relationships with the Soviet Union and Eastern Europe and of our poor showing in a promising trade market signal the need for a change in legislative emphasis. Section 4(a) of the new bill directs the Department of Commerce to promote East-West trade in peaceful goods as an indication that such trade is not against the best interests of the United States and as a tool in securing additional markets for American products. The section also directs the Secretary of Commerce to review the present commodity control lists and make the

changes which would further trade in peaceful goods.

Ninth, establishes an Export Expansion Commission to study ways of expanding peace trade and report back to Congress within a year.

There are a number of factors in addition to U.S. export control legislation which limit U.S. participation in East-West trade. Although Eastern Europeans complain that U.S. export control legislation is an important inhibiting factor in our trade, it is probably more the uncertainty and delay in receiving licenses than the actual restrictions which make this a significant factor in trade relations.

Since 1964 the Export-Import Bank has been prohibited from lending its own funds for the financing of American exports to any Communist country, and since February 1968, the Bank has been prohibited from guaranteeing or insuring loans extended by private lenders to finance American exports to Communist countries. Before the Eximbank credits to Communist countries were cut off, Russia and Eastern European countries had to prove their credit worthiness to a greater extent than was required of other nations although there has never been a default on a Western transaction with any Eastern European nation.

With the exceptions of Yugoslavia and Poland, Eastern European nations pay the prohibitively high Smoot-Hawley rates for their products. The lack of most-favored-nation treatment, a routine concession to most nations of the world, is a serious barrier to U.S. participation in East-West trade. The most-favored-nation clause has been gradually extended to most of the Eastern countries by a very large number of Western countries. Refusal to apply it may be regarded as an exception except in the case of the United States.

If Eastern European countries are to participate in greater trade with the United States, they will have to pay for their imports with increased exports since credit is difficult to obtain. To export, the products must be competitive with highly sophisticated Western products and sold with techniques which will meet Western consumer demands. A dialog to help the Eastern Europeans find markets is engaged in everywhere except the United States.

Section 10 of the new bill is an attempt to meet some of the basic difficulties in East-West trade. It proposes a Commission composed of 15 members appointed by the President to study ways in which exports can be increased, particularly to Eastern Europe, without jeopardizing the national security. The Commission is to coordinate its activities with the National Export Expansion Council and report to Congress within 1 year.

Tenth, retains short supply controls and the antiboycott provisions of present legislation.

Section 4 contains two provisions carried over from the present Export Control Act. One allows export controls to be exercised to protect the domestic economy from the excessive drain of scarce materials. The other implements the language in section 3(6) in opposing restrictive trade practices or boycotts

fostered or imposed by foreign countries against other countries friendly to the United States; that is, the Arab boycott against Israel.

Eleventh, retains the violations provisions of present legislation with the addition that a violation of the act be a knowing one.

Section 6 provides court-imposed fines of imprisonment for willful or knowing violations of the act. In addition, the Government agency involved may impose a civil penalty. The amount of punishment authorized is the same as in present legislation. I believe that both the history of export control and the testimony of businessmen before the Subcommittee on International Finance justify the proposed legislative changes.

The Export Control Act was first adopted in 1949 when the dangers of the cold war were most immediate. Europe, still weak from World War II, appeared a ready target for a Communist takeover led by Joseph Stalin. America's economic strength, unscarred by the war, was our best weapon for strengthening Europe. At that time, to deny Russia—also ravaged by World War II—the benefits of American trade and technology was a logical cold war tactic. Today, 20 years later, both the economic and foreign policy justifications for the old act are gone.

Western Europe, Eastern Europe and Russia have recovered their economic health.

I am convinced that the days of Joseph Stalin have ended. I am not endorsing everything I see in Eastern Europe, but I do see many developments there that are quite encouraging. I see trade as an indispensable part of the process in developing stable countries in charge of their own affairs, and in the movement toward economic independence in Eastern Europe.

And I see trade as an indispensable opportunity for broadening understanding between our people and theirs. Through trade we can increase Eastern contacts with American businessmen. Through trade we can increase Eastern participation in international institutions and responsibilities. Through trade we can increase the stakes of both East and West in peaceful relations.

But what about the war in Vietnam? Is this a wise time to talk about increasing trade with Communist countries?

The type of trade we would allow has no material relationship to what is going on in Vietnam. This legislation continues the prohibition on U.S. trade with North Vietnam. Most of the Eastern European countries trade only to a very limited, pro forma extent with North Vietnam; our exports to them are primarily agricultural commodities. And neither our present level of trade with the Soviet Union nor any foreseeable growth could have an effect on military goods supplied to Vietnam. The Soviet Union is self-sufficient in arms production and is a major supplier of weapons outside its borders to such places as the Middle East and Nigeria.

Recognizing that times have changed and that the United States cannot influence its allies to suspend trade with the Chinese, let alone the Soviet Union,

a more realistic approach to war and the trade question is to use trade as an "offensive weapon," designed to influence the attitudes of those in Communist countries.

At a time when we worry whether our "national interests" should allow us to trade with Russia, the Russians continue to supply us with platinum for our basic military and space industries and chrome ore which we must have to meet our needs in Vietnam. One of our traditional sources of chrome ore, Rhodesia, is subject to trade sanctions, so we are relying more heavily than ever on the Russians for chrome ore.

Ideally, trade should be neutral, regulated only by the marketplace, and until World War II, the U.S. Government restricted exports only in time of war or special emergency. When the war ended, trade restrictions continued—but the enemy changed: it became any nation under the control of a Communist government. The Export Control Act of 1949 declares:

It is the policy of the United States to use its economic resources and advantages in trade with Communist-dominated nations to further the national security and foreign policy objectives of the United States.

The policy has been implemented by complicated administrative export controls giving Department of Commerce officials control over more than \$30 billion worth of exports per year to all countries of the world. No specific Government authority is necessary for American businesses to participate in international trade, but each shipment out of the United States is subject to some sort of control.

The first step for an exporter is to determine whether his product may be shipped under a general license or whether it requires an individually validated license. A validated license application, accompanied by a "firm order" from the importer for the item, takes on the average 4 weeks to be processed through the Office of Export Control. The processing may include review by an inter-departmental committee consisting of representatives from the Departments of Commerce, State, Defense, Treasury, and sometimes from the Departments of Agriculture, Interior, the Atomic Energy Commission, the National Aeronautics and Space Agency, and the Federal Aviation Agency.

The exporter's problems increase if it is his American subsidiary in Western Europe that wishes to obtain a license. The subsidiary, and even Western European importers with no connection with the United States, must sign a form promising no transshipment of the goods without U.S. approval. If a manufacturer in a Western European country wishes to purchase a component part for a larger item, he is better off purchasing the component from a non-American source so he can avoid the necessity of obtaining U.S. permission to ship the larger item out of his own country.

American businessmen complain that licensing delays, the requirement that a "firm order" accompany each license application, the refusal to give advisory opinions on the probability of license approval, and redtape all lose sales in East-

ern Europe and probably, more often than not, prevent American businesses from trying to develop the market. Of more importance than the licenses denied are the applications not received—deterred by the maze of paperwork and bureaucracy.

Most businessmen engaged in East-West trade will complain in private about the complicated applications, the long delays, and the barriers associated with export licenses. A number of important American businesses described the problems they have encountered before the Subcommittee on International Finance.

For example, Bendix International received a \$400,000 order for precision measuring and gaging equipment for production-line gaging of auto parts for truck engine production at the Lihachev Moscow Auto Works. After more than 4 months delay, the Office of Export Control denied the license. The Soviets promptly purchased the same equipment from a Bendix affiliate in England. The American Bendix Corp. estimates that the business they lost had a total potential of several million dollars over the next 2 or 3 years.

The same company estimates that it is losing an annual potential sales volume of \$1 million for mass spectrometers, semiconductors, and process gas chromatographs to be sold in the Soviet Union and Eastern European countries. The business currently goes to competitors in Germany, England, Italy, and the Netherlands.

A letter from David Packard, then president of Hewlett-Packard, one of the largest electronics firms in the country, described the impact of the high level of unilateral U.S. controls on the Hewlett-Packard product line:

These controls, which are not duplicated by the other COCOM countries, affect 6% of our sales to friendly Western countries and a huge 53% when we deal with the USSR and other Eastern European countries excluding Poland and Romania. In fact, in this latter category, we are able to sell only \$3 out of every \$100—mainly medical equipment such as electrocardiographs—without restriction under General License. In contrast, West European and Japanese competitors with similar product mixes can sell \$56 out of every \$100 to Eastern Europe without restriction. In every instance we have investigated we have found similar items to be available from non-U.S. sources.

Hewlett-Packard presented more statistics before the subcommittee. Between January 1, 1968, and March 31, 1969, the company received decisions on 104 license applications, and the median time required to process the applications was 4 weeks. Adding an estimated 2½ weeks preparation time to this figure gives a median total delay of about 7 weeks. Only 2 percent of the applications were rejected.

Their specific problems with licensing include the loss of an order from a Russian purchasing organization for 10 9100A calculators, valued at \$55,000, to West European suppliers because the American calculators required licensing and thus could not be sold "off the floor" during a recent exhibition. The second case involves the loss of a considerable number of orders for digital voltmeters

throughout Eastern Europe. U.S. export license applications for these products have been consistently denied, although comparable digital voltmeters are made by a number of West European suppliers who are only too happy to supply them to the East European market.

The Electronic Industries Association provided further examples of licensing difficulties resulting in lost business for American companies. In October 1968 a large American manufacturer received an inquiry from a licensee in Italy who had a prospective customer in Rumania for three 200,000 kilowatt turbine generators costing more than \$2 million each. In early December the manufacturer filed a license application with the Office of Export Control. On January 30, 1969, with no information or decision yet from the Office of Export Control, the manufacturer received a letter from the licensee advising that the prospective customer had decided to order the equipment from another source.

Beginning in 1967, a manufacturer of electronic components received orders from Poland for tantalum capacitors. Export applications were denied, and subsequently the manufacturer learned that the same parts were obtained from a number of sources in France and Italy. The estimated business lost was between \$50,000 and \$100,000 per year. Another manufacturer estimates that orders totaling \$3,600,000 for semiconductors from customers in Czechoslovakia, Rumania, and Bulgaria were lost during 1968 because of export controls.

In 1965 crucial decisions were made about the type of color TV system which would be used in Europe. Americans hoped that a single system of color TV, the tested American NTSC, would be adopted, both for the business which would come to American suppliers and in the interests of international standardization of communications systems. However for Europe to adopt the American system, the United States had to give assurances that the components would be available throughout Europe, including Eastern Europe and the Soviet Union. After extended negotiations, the Department of Commerce indicated that approval would be given for the necessary export licenses, but the grant was qualified to such an extent that the decision was neither timely nor helpful. Europe eventually adopted not NTSC, but two other color systems, and the loss to American business has been conservatively estimated at tens of millions of dollars.

The Foxboro Co. pays a penalty for late shipment from a European plant because the total order includes a few parts, instruments for measuring acidity, alkalinity, or turbidity, subject to U.S. export controls. Licensing delays normally run from 4 to 8 weeks, thus delaying the entire shipment. The company reports two or three situations of this type a year which result in losses of goodwill and cash.

General Radio Co. received an order in November 1967, through their Zurich office from a customer in Czechoslovakia for a digital frequency meter. In February, 3½ months later, their export application was rejected. In October 1968,

after a number of efforts to obtain a review of the decision the Department of Commerce suggested that General Radio resubmit the application, but by then the customer had purchased a similar product elsewhere.

In 1963, National Research Corp. applied for an export license to ship a small vacuum pump and baffle to a customer in Hungary. The license was denied, the firm appealed and 7 months later, the license was granted. The customer refused to accept the product 7 months late.

The Minnesota Mining & Manufacturing Co., the developer of magnetic tape, now finds itself competing with qualified manufacturers of video and computer tape: two firms from the United Kingdom, two from France, one in Belgium, a German firm, and four Japanese companies. Foreign buyers are switching from wire to magnetic tape for almost all communications purposes, but American sellers are not sharing this market as fully as they should because magnetic tape is on the U.S. export control list and subject to licensing delays.

For example, Minnesota Mining received the following letter from a Swiss firm to which they had made a bid for the sale of video tape:

We have come to the conclusion it would be too long to supply you with all the information you require in order to get approval of the Department of Commerce in Washington and much to our regret we will for the time being have to use other products.

Another letter to Minnesota Mining reads:

Your statement regarding the long delivery time due to the procurement of the export license surprises us greatly. For comparison we might quote we recently purchased these magnetic tapes via the suppliers of the computers, for example, the British ICT, and we have gotten the merchandise always promptly, in many cases even within one week.

A third letter to Minnesota Mining:

Due to your letter dated April 26, 1968, we have contacted V/O Sojuzhimexport, Moscow, concerning the information requested by the Department of Commerce. . . . Now, we have been informed by V/O Sojuzhimexport that by the delayed handling of this matter they have covered meanwhile their requirements through other channels.

Control Data Corp. submitted a proposal to Industrialimport, an agency of the Rumanian Government, for the licensing of one of their computer systems. Control Data began negotiations with the Office of Export Control in August 1968, to obtain the necessary licenses; the situation became academic in December when the Rumanian Government signed a licensing agreement with Plan Calcul in France, a company known as CII. In addition to the delay, Control Data was hampered by the fact that the Rumanian Government obtained three contracts from West European computer manufacturers for third generation computers which contain IC circuitry; Control Data was able to propose only a second generation computer because of U.S. export controls. The loss of the contract was a loss of several million dollars for U.S. trade statistics.

Yugoslavia is treated under the Com-

modity Export Act as a Western European nation in most instances. A validated export license had been granted Control Data to ship a computer to a Yugoslav electronics firm. The dedication of the system, involving a number of local dignitaries, was scheduled for October 1968, during the annual trade fair. At the last moment, spare parts were needed to replace some parts damaged in shipping the computer to Yugoslavia. Control Data had the spare parts in its Frankfurt, Germany, supply depot. But Yugoslavia, treated as a Western nation for purposes of export, is not with regard to spare parts. Therefore, Control Data had to ship the spare parts from the United States under separate export license; they did not arrive in time for the dedication.

While Control Data has waited up to a year and a half for the Office of Export Control to act on a license, the British competing firm, International Computers Limited has opened an Office in Moscow. Two British computers have been delivered to China, and two more are on order from a firm that is 10 percent owned by the British Government.

International Telephone & Telegraph lost more than \$10 million in an order for a switching system and radio equipment for the Post Telephone and Telegraph Administration in Hungary. The switching system could be exported without a license, but the radio equipment connected with it was subject to export control. ITT negotiators, unable to obtain advice from the Department of Commerce, lost the order to a competitor who did not have to comply with export restrictions.

In 1967, ITT delivered a navigational system under U.S. license to an Eastern European Country. In 1968, an order for spare parts was received involving \$124 worth of U.S. components. The export license application, submitted on December 4, 1968, was approved on April 24, 1969.

Another ITT customer had purchased a number of maritime radios which could be shipped without obtaining a validated license. However when the customer decided to manufacture the radio himself under a licensing agreement with ITT, the Office of Export Control refused except on a case-by-case basis to authorize ITT to ship the supporting U.S. components so the customer could manufacture the marine equipment.

SATRA Corporation, a trade organization, applied for an export license to ship spectroscopes to the Soviet Union. After 4 or 5 months an approval was granted, but in the meantime the Soviets had purchased the items from Holland. In 1962, a SATRA license to ship \$20 million worth of stainless steel tubes to the Soviet Union was denied; the order was promptly filled by companies in Great Britain, West Germany, and Australia.

In 1968 and the beginning of 1969 at least 10 license applications were denied U.S. companies for shipments to Russia. The applications covered potential sales of \$30 million, and all of those sales have gone to Western European or Japanese companies. The products involved: precision pulse generators, logging perforating units, stroboscopes, hydrocracking plants and catalyst production technol-

ogy, a vacuum electric furnace for thermal treating of balls for ballpoint pens, photoplates and developers, film plants, and complete equipment for the production of magnetic disk memory tape.

Another trade consultant described the potential sale of a plant and the technical know-how to produce certain chemicals for insecticides in Russia. Several months elapsed before the export license was approved. When it was, a Japanese company had already sold a readily available similar facility to the Russians at a competitive price.

Often the Office of Export Control suggests that the quantities indicated on a license application be reduced even though there is no objection to the item itself. The larger amounts might give rise to criticism from opponents of East-West trade simply due to the size of the transaction. A series of smaller amounts with successive applications for licensing does not appeal to the buyer who will order elsewhere rather than waiting for the full amount.

More hurtful than the actual delays and denials are implied denials. One witness estimated that millions of dollars in sales are lost each year to the Soviet Union alone because an exporter "feels" that his license application will be denied, and, wanting to keep a good record with the Department of Commerce, fails to make such an application. That witness cited his company's decision not to apply for licensing for a substantial order of wigs for the Soviet Union on the determination that the license would be denied.

All of the evidence the subcommittee received indicates that the present Export Control Act hurts no one but ourselves. The Communist countries of Eastern Europe are not hurt; they can obtain what they need from other free world countries. Western Europe and Japan are not hurt; indeed their businessmen have received a windfall by virtue of U.S. default. Only the American businessman and the U.S. balance of payments are substantially hurt. Basically we deny ourselves the right to compete.

One witness compared U.S. export control legislation to the ancient Chinese method of avenging oneself against one's enemy—by committing suicide on his doorstep.

The Export Expansion and Regulation Act of 1969 is intended to change the direction of export control by reducing the complexities, delays and uncertainties in the administration of export controls without sacrificing the objective of controlling the export of strategic goods.

The Banking and Currency Committee believes that this bill will be conducive to an appropriate expansion of U.S. trade and an improvement in relationships between the United States and other nations, while at the same time restricting the sale to Communist nations of goods of military significance.

Mr. BURDICK. Mr. President, will the Senator yield?

Mr. MONDALE. I am delighted to yield to the Senator from North Dakota.

Mr. BURDICK. I have been listening

to the able Senator's presentation with a great deal of interest, and have wondered whether he intends to discuss the exportation of agricultural products, for example, North Dakota wheat. We will have, in my opinion, after this crop comes in, about a billion bushels of surplus or carryover wheat. The logical solution for handling this problem is to have markets—and markets outside the United States, because the United States can eat only so much wheat.

My question is, How does the measure the Senator is discussing here today fit into the problem of disposing of our surplus wheat?

Suppose that Russia or an Eastern European country would say, "We want 1 million tons of wheat. We have hard dollars with which to pay for it." In that event, how would the pending legislation enable us to make such a sale?

Mr. MONDALE. The committee, in the report but not in the statute, attempted to deal with this matter. We had originally considered a provision in the pending legislation to prohibit the use of the Export Control Act to impose a cargo preference on commercial sales of grains to Eastern Europe.

Mr. BURDICK. I am talking about commercial sales.

Mr. MONDALE. The Senator is correct. I am glad the Senator points that out. There has been some confusion about this matter. Many of us who supported the Food for Peace measure have consistently supported a Federal subsidy for the maritime industry to haul such items. So, in effect, the present 50-percent restriction on the commercial sale of grains and wheat to Eastern Europe has taken us out of the market. Wherever that restriction applies, it raises the cost of wheat by 10, 11, or 12 cents a bushel on the world markets.

Last year we had hoped to prohibit that situation by legislation. However, as the committee began its deliberations, it became clear that it was felt for other reasons that it would not be wise to try to include this issue as part of the broader export control provision.

We therefore included strong language in the report, directed at the executive branch, pointing out first of all that this was not a statutory restriction, but an Executive order issued several years ago, and that since it was an executive action, there ought to be an executive department correction of this matter.

We urged the President to immediately review and remove this restriction and to report to us at the earliest possible time on this matter.

We do not know if the President will act. We hope that he will.

Mr. BURDICK. Mr. President, how does the cargo preference law impede the sale of wheat?

Mr. MONDALE. The Cargo Preference Act itself does not do so. An Executive order prohibits an export license on the sale of wheat to Eastern Europe for commercial purposes.

It is sometimes confused with the Cargo Preference Act. However, it is an Executive order on the Export Control Act that we are getting at here. It provides that half of the wheat sold to Russia must be carried in U.S. bottoms even

though the sale is strictly commercial. As a result of that we are out of the market and have been for several years.

Mr. BURDICK. Is that restriction made against free world countries?

Mr. MONDALE. Other products can be sold and hauled in foreign bottoms. However, if we want to sell one or two shiploads of wheat, half of it has to be hauled in a U.S. ship. That drives up the cost of the wheat to the point where we are not competitive in the world market.

We point out in our report that some who argue for this restriction say that there has been no demand in Eastern Europe for U.S. wheat. However, during the fiscal years 1965 to 1968, the United States shipped 2.5 million bushels of wheat to these Eastern European countries.

Mr. BURDICK. Was that wheat paid for in hard dollars?

Mr. MONDALE. The problem gets very detailed. Some of the countries in Eastern Europe are able to ship in foreign bottoms if they make a stop in Eastern European ports, but not the Soviet Union. It is a very complicated formula. However, as a result, we shipped 2.5 million bushels of wheat during the fiscal years 1965 to 1968. During that same period of time, Canada shipped 551 million bushels, Australia shipped 53 million bushels, Argentina shipped 86 million bushels, and France shipped 102 million bushels to these same countries.

Wheat shipments to Poland and Yugoslavia are not affected by the shipping restriction. And what happened where we could freely compete? During the fiscal years 1965 through 1968, the United States shipped a total of 138 million bushels of wheat to Poland and Yugoslavia, compared with less than 2.5 million bushels shipped to all the other countries because of the restriction.

I think that dramatically shows how we are able to compete where we do not have a restriction.

Mr. BURDICK. Were those sales paid for in hard dollars?

Mr. MONDALE. The Senator is correct. I think that occasionally there is some limited credit arrangement. However, for all practical purposes, the Senator is correct.

Mr. BURDICK. Is it the contention of the Senator that as long as the Cargo Preference Act applies, we will not be able to compete for sales in Eastern Europe and Russia?

Mr. MONDALE. I not only state that is correct, but I also point out that the record is abundantly clear on the matter.

The production of wheat in Russia has been erratic. Sometimes they have good crops, and at other times they have poor crops. When they have good crops, there is not much of a market. When they have poor crops, we find that we cannot compete at all because of the restriction while Canada, Argentina, and other countries make fantastic sales of wheat to these communities.

Mr. BURDICK. I understand that the report attached to the bill calls on the Executive to lift the restriction.

Mr. MONDALE. The Senator is correct. And we certainly hope that he will do so.

Mr. BURDICK. Mr. President, I com-

pliment the Senator from Minnesota for his presentation today. I hope that legislation of this kind will help to bring about a sale of some of our surplus wheat. And I am talking about a sale for American hard dollars.

Mr. MONDALE. Mr. President, I thank the Senator and I appreciate his support in our effort.

Mr. MUSKIE. Mr. President, will the Senator yield?

Mr. MONDALE. I yield the floor.

Mr. MUSKIE. Mr. President, as chairman of the Subcommittee on International Finance which reported the bill and which originally considered the pending legislation, I am happy to support S. 2696, of which I am a cosponsor, which has been explained in detail by the distinguished Senator from Minnesota (Mr. MONDALE).

At this time, I pay tribute to the distinguished Senator for his outstanding initiative and leadership in the development of the pending legislation.

Well over 2 years ago the distinguished Senator from Minnesota arranged, with the permission of the subcommittee and the chairman of the full committee, the Senator from Alabama (Mr. SPARKMAN), an extensive tour through Europe during the senatorial recess to explore the question of trade with the Eastern European countries.

In the process of that tour and as a result of his studies since that time and the hearings which he has conducted on the pending legislation in the subcommittee, the Senator has developed considerable background, and from my point of view he has become an expert in this field.

I am grateful to the Senator from Minnesota for his help and cooperation and for his willingness to take the leadership in this field.

Mr. MONDALE. Mr. President, I thank the Senator for his very kind comments. However, were it not for the interest and the concern shown by the chairman of the International Finance Subcommittee, the Senator from Maine (Mr. MUSKIE), the pending legislation would not be before us in its present form.

The Senator from Maine presided over and participated in most of the hearings. At all times the Senator has shown a special interest in trying to modernize and create an act to protect the national security interests of this country, but, where our national security interests were not involved, the Senator made certain that the American businessmen could freely and fully compete in non-strategic items in Eastern Europe. I am proud of this measure, and I think a good deal of credit must be given to the distinguished chairman of the subcommittee.

Mr. MUSKIE. I thank the able Senator. I have already said that he has explained the bill in detail. I would like to put it in the broad context in which I understand it, the broad perspective in which I think it has significance, for the benefit of my colleagues and for the purpose of establishing the reasons for my support.

Well over a year ago, at my request, Senator MONDALE conducted extensive hearings on East-West trade. The hear-

ings brought out the deep interest many American businessmen have in expanding peaceful trading opportunities with Eastern Europe and the Soviet Union. The hearings highlighted the difficulties and redtape they encountered in dealing with present export control procedures. The information developed in Senator MONDALE's hearings convinced him and other members of the subcommittee, including Senators BROOKE, WILLIAMS, PERCY, and myself, and Senator PACKWOOD of the full committee of the importance of revising and updating the Export Control Act of 1949.

Mr. President, in considering the legislation before us today it is necessary for us to recall the international climate which prevailed in 1949, when the Export Control Act was enacted. The United States was engaged in a deepening cold war with the Soviet Union. The economies of Western and Eastern European nations, including Russia, were still staggering under the effects of a devastating world war. Among all the major trading nations of the world, the United States alone had an economy strong enough and sophisticated enough effectively to deny items of trade which could have proved advantageous to the military or economic potential of those nations with which we were at odds.

The Export Control Act was passed to implement a policy of denying strategic items to the Soviet Union. As other nations of Eastern Europe entered the Soviet bloc, the restrictive trade policies were applied to them. At the same time, the United States was undertaking a massive program of economic assistance to Western Europe under the Marshall plan.

The success of our efforts in helping Britain, France, Germany, Italy, and other Western European nations to recover from the ravages of World War II needs no documentation here. What does need emphasis is the fact that the Soviet Union and its Eastern bloc allies also demonstrated a remarkable economic recovery from the war. During the last 25 years the industrial capabilities of the Soviet Union have far surpassed their pre-World War II level. The Soviet Union now has a gross national product which is roughly one-half that of the United States, and its military capabilities rival our own. Furthermore, its economy is less dependent on imports than any other major nation in the world.

The world situation in 1969 has changed substantially since the early days of the cold war. Confronted by the hard realities of a nuclear age, both the United States and the Soviet Union have taken a number of steps to avoid military confrontation. The nations of Eastern Europe, once apparently bound to the Soviet Union by monolithic ties, have demonstrated increasing signs of new independence and a desire to seek new avenues of communication with the West. The economies of our allies in Western Europe and Japan have expanded to the point where they are now engaged in significant trade with Russia and Eastern Europe. Concurrently, the U.S. balance-of-payments situation has undergone a drastic, unfavorable change.

Existing export control policies do not

reflect these changes. The hearings before the Subcommittee on International Finance last year and this year provided ample, often startling, evidence of instances where American businessmen have lost millions of dollars of sales because of excessive delays in export licensing procedures. Businessmen gave evidence that in many cases these lost sales opportunities have gone to our allies in Western Europe and Japan, which do not have the same cumbersome red tape or lengthy licensing regulations as the United States. In addition the United States unilaterally controls some 1,300 export items, 1,100 of which are freely available elsewhere to the Soviet Union and Eastern Europe.

Mr. President, such an export control policy is close to self-defeating. It has not prevented Russia and her allies from developing strong, sophisticated economies, and it has not helped the U.S. position in world trade. A recent New York Times survey estimates that the total U.S. share of world trade actually decreased by 5 percent between 1962 and 1967. In fact, as the economies of our allies in Western Europe and Japan have recovered and expanded during the past two decades, they have become increasingly strong and aggressive competitors for international markets, which once were thought to be the exclusive property of U.S. business.

Mr. President, I think the time has come for the Congress to reexamine our national policy with respect to East-West trade and to bring it into line with the present-day realities of world politics and international trade. The President has stated that he is seeking new opportunities to improve our relations with the nations of Eastern Europe. Leaders of the Democratic Party have expressed similar views. It seems to me that the chance for expanded trade in nonmilitary, noncontroversial areas is a vital first step toward implementing this goal.

This is what the proposed export expansion and regulation act seeks to do. It would declare a new national policy "to encourage the expansion of trade with all countries with which we have diplomatic or trade relations, except those countries with which such trade has been determined by the President to be against the national interest." At the present time, this would specifically exclude trade with Mainland China, Cuba, North Korea, North Vietnam, Southern Rhodesia, or any other nation specifically named by the President.

The bill would also "restrict the export of goods and technology which would make a significant contribution to the military potential of any other nation or nations which would prove detrimental to the national security of the United States."

These two provisions, Mr. President, give the President ample flexibility to control exports for reasons of national security. At the same time they reflect our desire to expand trade in peaceful goods and technology.

Two other provisions of S. 2696 which merit special attention are the elimination of the "economic potential" test as a measure of whether goods may be exported and the establishment of an "availability elsewhere" test in consider-

ing export control license applications. Practically any item which is not designed for personal consumption contributes to the "economic potential" of an Eastern bloc nation or the Soviet Union. Furthermore, our ability to influence economic growth in the Soviet bloc is limited to the degree that export items are not readily available from other nations. The provisions in the bill before us reflect those facts, answer specific and well-justified criticisms of present export control policy, and attempt to make this policy more rational and consistent with present-day situations.

Opponents of this bill argue against it for several reasons:

First, that the policy of the bill is uncertain;

Second, that few export control licenses have been denied over the years;

Third, that the trade potential of East-West trade is small, anyway;

Fourth, that factors which made the Export Control Act necessary in 1949 have not changed substantially since then; and

Fifth, that the present act is a better approach to export control policy.

Mr. President, I contend that world conditions have changed since 1949 and that the export control policy contained in that act is an outmoded approach in 1969. I contend that the record of hearings on East-West trade has amply demonstrated that an overwhelming segment of American business opposes present-day export control policies, not because they want to materially aid the enemy, but because the Export Control Act has stalled and frustrated their legitimate attempts to engage in peaceful, nonmilitary trade.

These same businessmen overwhelmingly support the approach taken in the Export Expansion and Regulation Act of 1969. In addition, several former Government officials have expressed strong support for S. 2696, including such distinguished Americans as Averell Harriman, a former Secretary of Commerce and Ambassador to the Soviet Union, Nicholas deB. Katzenbach, former Attorney General and Undersecretary of State, John T. Connor, former Secretary of Commerce, and Theodore C. Sorensen, former counsel to Presidents Kennedy and Johnson. It was the considered judgment of these gentlemen, who have had first-hand experience with the administration of the Export Control Act, that the time has come for a change in that policy.

None of us who support S. 2696 argue that its enactment will automatically increase East-West trade or that the potential markets in Eastern Europe and the Soviet Union will ever amount to a large proportion of the total U.S. export market.

What we do argue, most emphatically, is that the time has come for us to take a positive approach to East-West trade. We believe that the thrust of our present policies is negative and that the administration of them will not change substantially without a new mandate from the Congress. It is not our intention to open the doors for trade which will in any way harm the national se-

curity of the United States. We believe, however, that the proposed Export Expansion and Regulation Act will be a positive declaration of this Nation's willingness to engage in peaceful, non-military trade at the same time that it will continue to give the President all the authority he presently has to control exports which could prove harmful to the national security. Our declaration of policy is clear; the authority it confers is precise.

Mr. President, President Nixon has suggested that we move from an era of confrontation to one of negotiation. In the legislation before us we are arguing that expanded trade contacts can encourage negotiations in a relatively non-controversial area, and that as we succeed in this area, we can improve the prospect for negotiations in more controversial areas.

The Export Expansion and Regulation Act of 1969 is one chance of doing this.

I urge my colleagues to support this bill.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. MUSKIE. I am happy to yield.

Mr. FULBRIGHT. My understanding is that this bill was not reported unanimously. There is dissent about the bill. Is that correct?

Mr. MUSKIE. There is dissent.

Mr. FULBRIGHT. What was the vote in the committee on this bill?

Mr. MUSKIE. There was not a rollcall vote. To the best of my recollection, two members actively opposed the bill. Perhaps the Senator from Utah can correct me on that. I think that is accurate.

I understand that Senators BROOKE, PERCY, PACKWOOD, and GOODALL supported this bill in the committee, and, I understand, will do so on the floor.

Mr. FULBRIGHT. Is it clear what the basis for this objection is? Do they wish no bill at all?

Mr. MUSKIE. The Senator from Utah, of course, will express his views himself.

The administration told us, in effect, that its objective would be to facilitate trade between the United States and Eastern bloc countries, that it would attempt to facilitate the operation of the procedures which make that trade open to American businessmen, but that it was not prepared to endorse this bill.

So the objective of the administration and the sponsors of this bill appears to be similar, but we got bogged down, apparently, on details.

Mr. FULBRIGHT. Is there anything in this bill that affects the most-favored-nation treatment of the countries of Eastern Europe?

Mr. MUSKIE. Mr. President, this bill would do nothing with respect to favored-nations treatment. That is a responsibility of the Committee on Commerce. This bill simply deals with the control of export items. Right after World War II there was concern that we not export to the Soviet Union or its allies strategic items, which at that time included not only military items but, I gather, items that might be useful to the economic development of the Soviet Union.

Mr. BENNETT. Mr. President, will the Senator yield?

Mr. MUSKIE. I yield.

Mr. BENNETT. This bill calls for equal treatment for all countries, as a matter of definite policy. To that extent it affects the most-favored-nation proposition.

Mr. MUSKIE. It is not my impression that this bill legislatively has the effect of modifying our most-favored-nation policies which are governed by other and broader trade policies and legislation. These are export controls and do not affect imports. The bill states the policy cannot be fully implemented by this legislation, but it is the effort of the committee to implement, so far as we could reach an agreement in committee, with respect to export items.

Mr. FULBRIGHT. It is only in exports that we would be given equal treatment and not in imports. Is that right?

Mr. MUSKIE. The Senator is correct.

Mr. FULBRIGHT. Does this bill have anything to do with the requirement of shipping exports in U.S. bottoms?

Mr. MUSKIE. This bill does not. That policy was established under Executive order, the Senator will recall, in connection with wheat sales to the Soviet Union.

Mr. FULBRIGHT. The Senator is correct. Is that still in effect?

Mr. MUSKIE. It is in effect. An effort was made in this bill to modify that policy. After full consideration and another day of hearings the committee decided that, rather than try to amend the bill, it would include in the committee report an expression to the executive urging reconsideration of that policy and a modification of it. But we were not able to agree on an amendment in this bill to cover that policy.

Mr. FULBRIGHT. Does that not effectively prevent any sales to Eastern European countries, or Russia, or China?

Mr. MUSKIE. It deals only with wheat.

Mr. FULBRIGHT. Only wheat.

Mr. MUSKIE. I agree with the Senator completely. I think the effect of this is to take us out of the international market on wheat.

The distinguished Senator from Minnesota (Mr. MONDALE) I think, has a special interest on this point.

Mr. FULBRIGHT. I saw in the newspapers the other day that the Canadians have negotiated sales of wheat in the amount of \$150 million, I think, with China.

Mr. MUSKIE. The Canadians have been doing that regularly.

Mr. MONDALE. Mr. President, will the Senator yield?

Mr. MUSKIE. I yield.

Mr. MONDALE. The committee report sets forth the self-defeating nature of the 50-percent bottom requirement on commercial sales of grain to Russia. The figures show that during fiscal years 1945 through 1968, when the restriction existed, the United States shipped just under 2.5 million bushels of wheat to Russia and East European countries. In the meantime, Canada shipped 551 million bushels, Australia shipped 53 million bushels, Argentina shipped 86 million bushels, and France shipped 102 million bushels.

However, wheat shipments to Poland and Yugoslavia are not affected by the

shipping restriction. During fiscal years 1965 through 1968 the United States shipped a total of 138 million bushels of wheat to Poland and Yugoslavia, compared with less than 2.5 million bushels shipped to the countries affected by the restriction.

Mr. FULBRIGHT. I wonder if the committee did not feel it is time for us to open up our trade a little more in view of the imbalance in our international payments.

Mr. MUSKIE. This is one of the considerations that bore heavily on our decision to report this bill.

Mr. FULBRIGHT. Is the Senator informed of the estimates for this year's deficit in our international payments? Is it not quite large?

Mr. MUSKIE. I think there was an improvement in the last quarter for which we had figures. I shall put the figures in the RECORD as soon as I can get them.

Mr. FULBRIGHT. I think it would be interesting to see how that is affected.

My impression is that there were few items in this bill that are not provided in the market by England, France, Italy, and others. We are not really depriving the Russians of anything.

Mr. MUSKIE. This is a very sore point with our businessmen. There are 1,300 items on our control list. Of those, 1,100 items are freely available from our Western European allies or the Japanese to Eastern bloc countries.

Mr. FULBRIGHT. Even with respect to the 200 items not on the list, those 200 items are restricted only to Russia and these countries but they are not restricted for us to sell those items to purchasers in Germany, France, or England, are they?

Mr. MUSKIE. No.

Mr. FULBRIGHT. Therefore, all they need to do is buy them through a third country. Is that right?

Mr. MUSKIE. The Senator is correct.

Mr. FULBRIGHT. Unless there is a high degree of cooperation in the third country. In the early stages of the cold war these countries did cooperate in enforcement of the regulation.

Mr. MUSKIE. They still do on items that are strategic.

Mr. FULBRIGHT. The Senator is talking about commerce now?

Mr. MUSKIE. The original concept appears to have been that we were concerned about exports to Eastern European countries, those which affect the economic potential of those countries, as well. With this policy we have not been able to control the economic growth of the Soviet Union and the Eastern European countries, so it has been a self-defeating policy and it did not work.

Western European countries have been much more realistic about this matter, and so they opened up trade with Eastern bloc countries, realizing it holds benefits for them and it does not hurt them.

Mr. FULBRIGHT. Does the Senator have the testimony on how much trade West Germany has with Russia?

Mr. MUSKIE. Yes.

Mr. FULBRIGHT. Is it substantial?

Mr. MUSKIE. Yes.

Mr. FULBRIGHT. It seems to me it

would be interesting to highlight what the West Germans and Japanese do. Do the Japanese trade with Russia?

Mr. MUSKIE. Yes, and they trade with the mainland Chinese and Cuba, as well. I shall get the figures for the RECORD.

Mr. FULBRIGHT. I think it is interesting to show the contrast between West Germany and the Japanese, those countries being great industrial nations, and have trade with Russians.

Mr. MUSKIE. While we are looking for the other figures, I will give the latest figures on U.S. trade with Eastern European countries in 1963. Our exports to Eastern Europe were \$166.8 million.

Mr. FULBRIGHT. Does that include Yugoslavia?

Mr. MUSKIE. Yes. The next year was the year for the wheat sales. It climbed to \$339 million. In 1965 it fell back to \$140 million. In 1966 it climbed up to \$197 million. In 1967, the last year for which we have figures, it was \$195 million.

The interesting thing is that in the first quarter of this year, 1969, our exports to the Soviet Union and other countries of Eastern Europe, were \$39 million. This was a decrease of \$62 million from the previous quarter and \$55 million in the first quarter of 1968.

So notwithstanding an announced policy of the administration to facilitate the export of goods to Eastern European countries, we have dropped in our export sales to those countries.

I wish to ask the Senator from Minnesota if he has the figures on trade between West Germany and other Western European countries.

Mr. MONDALE. I do not have the figure here. I think West Germany is the big trading partner in Eastern Europe today. Those figures are in the RECORD. I will check them now.

Mr. FULBRIGHT. I do not want to delay the Senator's speech, but I thought it would be interesting to show the difference. When we look at our condition today as to interest rates, our balance of payments, and the severe economic strain we are going through, it does seem shortsighted that we turn this kind of trade in large amounts over to countries like Germany and Japan, or to any of the other friends of ours and say, "You take this trade, we just default." It seems to me to be unjust to our own businessmen. We have an Export-Import Bank trying to foster exports to other countries, and we pay a subsidy to give them a low interest; but not to Eastern European countries. Unless there is some overriding security matter, it seems to me to be a foolish policy for us to follow. If it is a security matter, I should like to know what it is. Has there been any testimony on it before the committee?

Mr. MUSKIE. To the best of my knowledge, and I have listened to the testimony, and have read the testimony, the argument against this bill and its objectives is not any specific security risk. It is not argued that it would open the door to the sale of items that have a clear military value. It is argued that to open up trade with Eastern European countries would add to their economic strength, and therefore we should not do

that. That seems to me to be the basis of the argument.

Mr. FULBRIGHT. It seems like a case of the "Mad Hatter" all over again. Even in the military, we were told by spokesmen for the administration not too long ago, or more specifically, the Pentagon, that the Russians have a weapon such as the SS-9. I do not believe it, but at least they said it is one which threatens to be much more effective than the one we have. If it is as good as we were told it is, during the debate on the ABM, I do not know why we are so careful about shipping them anything we have, because if we believe what the spokesmen in the Pentagon have said, that weapon is extremely efficient and sophisticated. That is why they ask for so much money from us.

Mr. MUSKIE. It is clearly the intention of the Russians to develop self-sufficiency.

Mr. FULBRIGHT. I do not think what they say is true. I thought it was hogwash, but anyway, that is what they said. How they reconcile that with the arguments they made against the bill is strange to me.

Mr. MUSKIE. It is clear from the picture of the Russian economy I have that Russia does not depend upon imports to build its economic strength. It depends upon imports to a lesser extent than any other major trading nation in the world today. It has built its economy by internal development, not by trade.

Mr. FULBRIGHT. They have been forced to do that by just such acts as this. Being as large as it is, with its total resources, it is true what has developed, but I am not at all sure it has been to our interests. I am inclined to think that it has been against our interests. Russia just wants to become as self-sufficient as possible. If we had traded with her, I believe there would have been less disposition to enter into pacts with other countries and to continue the cold war.

Mr. MONDALE. Mr. President, if the Senator will yield, we have found the figures—we shall have some later ones which we are now trying to uncover—which show commercial trade between West Germany and eastern Europe in the years 1964, 1965, and 1966.

In 1964, \$839 million for eastern Europe.

In 1965, \$889 million.

In 1966, \$1,102 million.

I think they are substantially higher than that now.

In 1966, we had \$197 million.

The standard American share of world trade is about 16 percent.

In Eastern Europe, we are less than 2 percent.

Based on the first quarter, we are one-half of 1 percent, largely because of the self-defeating restrictions on commerce in our strategic trade which does not deny Eastern Europe anything but gives preference to France, Germany, Italy, Great Britain, and Japan.

Mr. FULBRIGHT. It would be interesting to have the Japanese figures, too. We do everything we can to help them. We have armed forces in there to protect them. I do not know how many billions of dollars we spend in protecting Japan, and Germany as well, with our military

men. We have thousands of military men in Japan and yet we pass a bill like this, and Japan is one of our largest traders.

Mr. MONDALE. In that same period, 1966, that we had \$197 million with all of Eastern Europe, Japan had \$273 million.

Mr. MURPHY. Mr. President, will the Senator from Maine yield?

Mr. MUSKIE. I yield.

Mr. MURPHY. Is there any question of price differential? Is this broken down so that we can tell whether this is because of inability to compete, because of prices?

Mr. MONDALE. These are strictly dollar volume figures. They do not reflect in the tables themselves the question of a price differential. All the testimony the subcommittee took with different problems, it all boiled down to seeking or gaining trade, which of course goes into a great deal of detail, but these figures by themselves do not reflect that.

Mr. MURPHY. We see instances of great problems now because of their ability in the labor market to produce quality based on what they have learned from us, at sometimes as low as half the price.

Mr. MUSKIE. What is involved here is not that question at all.

Mr. MURPHY. Yes.

Mr. MUSKIE. These four volumes of hearings cover 2 years in the field with stories and complaints of American businessmen, all of whom could sell more goods in these countries but for our policies and restrictions. They can compete. They want to compete. They are denied the markets, however. That is the problem.

Thus, these figures do not indicate any inhibitions. On the contrary, if we were able to relax our policies in accordance with the judgment of American businessmen, who tell us they can increase sales, it will not be an astronomical program, but they would be able to compete in the items they discussed with us.

Mr. MURPHY. I thank the Senator. That answers my question.

Mr. MUSKIE. Mr. President, I am going to close my formal remarks with perhaps 3 or 4 more minutes of observations so that we may proceed with debate.

The committee was motivated by the conviction—that is a majority of the committee—that in light of the changes which have taken place on both sides of the Iron Curtain since the original Export Control Act was enacted in 1949, the time has come for Congress to re-examine national policy with respect to East-West trade and bring it into line with present-day realities, world politics, and international trade.

The President has said that he is seeking new opportunities to improve our relations with the nations of Eastern Europe and to enter into an age of negotiations.

Leaders of the Democratic Party have expressed similar views. It seems to me that the chance for expanded trade in nonmilitary, noncontroversial areas is a vital first step toward implementing this goal. This is the modest nature of what

the bill before the Senate undertakes to do.

It does not open wide any doors that should be closed. It merely undertakes, in a very modest way, which still leaves full control to the President in a way that I shall describe, the opportunities for peaceful trade with Eastern bloc countries. This trade is urgently desired by American businessmen, as they have testified in testimony covered in the four volumes which we have here in the Chamber at the present moment.

Now let me indicate to the Senate the control that the bill before us would give to the President. It would declare a new national policy "to encourage the expansion of trade with all countries with which we have diplomatic or trade relations, except those countries with which such trade has been determined by the President to be against the national interest."

At the present time this would specifically exclude trade with mainland China, Cuba, North Korea, North Vietnam, Southern Rhodesia or any other nation specifically named by the President.

In addition, the bill would "restrict the export of goods and technology which would make a significant contribution to the military potential of any other nation or nations which would prove detrimental to the national security of the United States."

These two provisions, Mr. President, give the President ample flexibility to control exports for reasons of national security, and at the same time they would reflect our desire to expand trade in peaceful goods and technology.

Mr. President, if what we like to describe as the world's most powerful nation could not operate, within the limits of this modest kind of policy, to protect its own security while it expanded trade, then there is something wrong with the patriotism, ingenuity, and commonsense of the American businessman who would be implementing this policy.

I think we are playing a game of blind man's buff in the business of world trade or our own trade with Eastern Europe. All our allies, all our friends, all our Western trading partners are doing business with these European countries, and all that our own American businessmen are asking is an opportunity to do business with the same people on the same basis.

Are we so fearful of our ability to do so and protect our security that we must deprive ourselves—this great commercial country—of an opportunity which is so freely seized by countries less powerful, more closely located to the Eastern European countries?

Mr. FULBRIGHT. Mr. President, will the Senator yield for a question?

Mr. MUSKIE. I yield.

Mr. FULBRIGHT. Does this act affect a subsidiary of an American company that is operating in Germany, for example? Opel belongs to General Motors, as I understand it. Does this act affect Opel in Germany in selling anywhere? Does the Senator know whether it would?

Mr. MUSKIE. I understand the Treasury Department has some control over

this kind of relation, by controlling part of the assets of the American corporation.

Mr. FULBRIGHT. If it did, it would run afoul of the German Government.

Mr. MUSKIE. It is a difficulty, and we do run into difficulties.

Mr. FULBRIGHT. I would think it would create a bad feeling between countries that think they are independent if we, through subsidiaries, tried to control sales, because they were sales of a subsidiary of a U.S. company. This is a German company. The greatest benefit occurs to the Germans, because they employ German workmen and they pay German taxes. If the United States thinks it can, in this fashion, control the trade of a country like Germany or Japan, I think it is going to run into serious troubles.

Mr. MUSKIE. There is no trouble with them as a result of our policies with respect to trade with Eastern Europe. These countries laugh at us.

Mr. FULBRIGHT. That is with respect to our own companies. They like the idea of a German company trading with Eastern Europe because it brings in substantial funds to them. What they laugh at and what they like is for us not to trade directly with those countries.

Mr. MONDALE. Mr. President, will the Senator yield?

Mr. MUSKIE. I yield.

Mr. MONDALE. We estimated that there are about 1,100 major items freely available to them from Western countries, not controlled by COCOM, which we unilaterally prevent our own businessmen from selling to them. I have seen pages of specific items which came out in testimony by businessman after businessman. They had been bargaining for contracts of nonstrategic, nonmilitary items, and the export license office would not give them a license. The deal fell through, and the British, or the Germans, or the French got it. The balance of payments went to them. We lost the contract. We did not gain a thing. It is a self-defeating, Joe Stalin hangover.

Mr. FULBRIGHT. It strikes me that way.

Mr. MUSKIE. May I quote the testimony of Secretary Ball on the very point the Senator has raised. I think the Senator might be interested in his testimony, which relates to the problem of extraterritoriality. He said:

A more significant problem is that of extraterritoriality, which I hope will be addressed by the Congress. This is a problem that most often arises under the Trading With the Enemy Act, where the United States attempts to impose on the subsidiary of any American company doing business in a foreign country a policy which is not accepted by the government of the country in which the subsidiary is doing business.

Now we had a number of examples of this and they have been extremely abrasive. One or more have concerned our relations with Canada, where our government's actions have been deeply resented by the Canadians. I recall a case of some wheat loading machinery that was in possession of a company or two in Canada—I think all of the companies that happened to have this particular kind of wheat loading machinery were subsidiaries of American companies. And we said, "You can't use this machinery to load

the wheat to go to China." It was a machine put on the ship and I think it went along and unloaded it at the other end.

The Canadians were quite naturally upset. They said:

"You are telling a Canadian company doing business in Canada it can't use a particular piece of equipment for handling the wheat in connection with a sale which the Canadian Government has made."

Now, this is only an illustration of the point. We have had some other situations in France. Sometimes the subsidiary company is not even wholly owned by the American parent, but there is a substantial minority interest and this aggravates it, because the minority interest, living in the foreign country, says, "What does the U.S. Government have to do with us? Why can't we run our business, as long as we comply with the laws of the country where we are situated? Why can't we run our business as we wish to?"

The Senator is quite right. Secretary Ball went on to discuss other instances.

Mr. FULBRIGHT. The Canadians rejected the protest, did they not? They did not abide by it?

Mr. MUSKIE. They found a way around it.

Mr. FULBRIGHT. For the self-respect of the country, I would think they would.

What does this bill do about it? Does the bill remove the 1,100 items from the requirement of having to have an export license?

Mr. MUSKIE. No.

Mr. FULBRIGHT. Why does it not?

Mr. MUSKIE. Because we have the best bill we could get through the committee. It is a very modest bill. The Senator from Minnesota, who authored the bill, and who has pushed it this far, will correct me if I am wrong. My impression is that the bill in the present form does nothing more than indicate that it is the desire of Congress that the President, by the exercise of his discretion and by the use of the executive machinery—to which we have made additions—will undertake to break down these barriers and to eliminate the red tape and loosen up the licensing procedures so American businessmen will be encouraged to come in and ask permission to sell.

Mr. FULBRIGHT. In what way does the bill improve the existing law? Is it not just an extension of the law?

Mr. MONDALE. Mr. President, if the Senator will permit me, one principle we had to accept—and I would have preferred not to have it—was that it was strongly felt by a minority in the committee that we could not do anything to deny the President the power to restrict an item if he decided to have it restricted. I would have preferred, as in my original draft, that the President would not have been able to deny the export of an item if it were available elsewhere. It is patent that it does not achieve anything except to provide a foreign competitor the ability to get our business.

In any event, we felt we had to accept that principle, and we were willing to go along.

In the first place, the present law says that wherever there is an economic or military significance in an item to be exported to Eastern Europe, it must be prohibited. Any conservative administrator could conclude that almost any item was of economic significance, or the

country would not have desired to purchase it. We knocked the word "economic" out and applied only "military," which liberalizes the standard.

Second—and I think this is very important—we have a complicated, although not decisive, rule that, when the item is available elsewhere, is not exclusively available from us today, and is not a military item, no license should be required unless the President affirmatively states that he wants it licensed nevertheless, and sends us a report giving us the reasons why.

Furthermore, and this is very important: One of the big problems with the Export Control Act is that the businessmen who deal with it are left completely in the dark, once they apply; they do not know whether they are being turned down, or why their applications are delayed, and we have several safeguards, not to restrict the President's power but to permit the American businessman to have his side of the case heard, and to insure that the applicant be told the reason for whatever action is taken.

In other words, we have tried to create an adversary proceeding, so that the whole story may be told. This is not a perfect answer, but we think it goes a long way toward creating a balanced approach to the problem.

Today the Export Control Office, in my opinion, acts very much like the security officers in Joe McCarthy's day. In other words, the easiest thing for them to do is turn everything down, because then they will never be personally criticized by anyone. It tends to make them extremely conservative in their judgments. This bill tries, as best it can, to leave the President with all the power he needs to do anything he wants, but at the same time to eliminate the inherent excessive conservatism and fear of the administrator.

Mr. FULBRIGHT. Who will actually administer this act? Who is likely to make the decision, what officer?

Mr. MONDALE. It will continue to be the Export Control Office in the Department of Commerce.

Mr. FULBRIGHT. Who is the head of that office now?

Mr. MONDALE. It is under Assistant Secretary Davis. The actual Administrator is Rauer Meyer.

Mr. FULBRIGHT. I thank the Senator.

Mr. MUSKIE. Mr. President, the colloquy between the distinguished Senator from Arkansas and the distinguished Senator from Minnesota emphasizes, I think, the essential modesty and conservatism of this bill as a change in our export control policy. I do not think that, by anything further I might say, I can add to the picture, and I am happy to yield the floor so that the other side may present its case.

Mr. BENNETT. Mr. President, I send to the desk an amendment in the nature of a substitute, cosponsored by the Senator from Texas (Mr. Tower) and the Senator from Colorado (Mr. DOMINICK), and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be started.

The assistant legislative clerk proceeded to read the amendment.

Mr. BENNETT. Mr. President, I ask

unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BENNETT's amendment is as follows:

SECTION 1. Section 12 of the Export Control Act of 1949 (50 U.S.C. App. 2032) is amended to read as follows:

"TERMINATION DATE

"Sec. 12. The authority granted in this Act terminates on June 30, 1971, or on any prior date which the Congress by concurrent resolution or the President may designate."

Sec. 2. Section 1(b) of the Export Control Act of 1949 (50 U.S.C. App. 2021(b)) is amended to read as follows:

"(b) The unrestricted export of certain materials, information, and technology may adversely affect the national security of the United States."

Sec. 3. The third sentence of section 3(a) of the Export Control Act of 1949 (50 U.S.C. App. 2023(a)) is amended by changing "shall determine that such export makes a significant contribution to the military or economic potential of such nation or nations which" to read "determines, taking into consideration its availability from other nations with which the United States has defense treaty commitments, that such export".

Sec. 4. Section 6 of the Export Control Act of 1949 (50 U.S.C. App. 2026) is amended by adding at the end thereof the following new subsection:

"(d) In the administration of this Act, reporting requirements shall be so designed as to reduce the cost of reporting, record-keeping, and export documentation required under this Act to the extent feasible consistent with effective enforcement and compilation of useful trade statistics. Reporting, record-keeping, and export documentation requirements shall be periodically reviewed and revised in the light of developments in the field of information technology. A detailed statement with respect to any action taken in compliance with this subsection shall be included in the first quarterly report made pursuant to section 8 after such action is taken."

Mr. BENNETT. Mr. President, the amendment I have sent to the desk is the text of the House bill, which passed last Thursday in the other body by a vote of 272 to 7, and which we shall face in conference if the bill as now supported and discussed by my friends on the other side of the aisle should pass.

The House bill is, in effect, an extension of the present Export Control Act, with three amendments.

The House bill, as this bill does, strikes out the requirement for consideration of the economic potential, leaving only consideration of the military potential.

Second, it says that the President must take into account the question of general availability, but it does not automatically reverse the process, and force him to remove everything from the list that is available elsewhere unless he makes a personal decision and notifies Congress.

The House of Representatives bill has other requirements which would reduce the paperwork involved in the obtaining of an export control permit.

We, of course, act entirely independently of the other body, but it is gratifying to know that on this important issue, they supported the President's position that the flexibility which he needs to carry out a responsible export program be retained.

As originally introduced, the bill almost stripped the President of his authority to deal with trade with Communist countries; but it has been greatly modified as a result of the hearings and discussions by the committee.

As reported by the committee, it contained much of the authority provided in the present Export Control Act, but, as a new feature, it combines the concept of trade expansion to Eastern European countries with control authority over exports. Other legislation before other committees, covering tariffs, export credit, and trade promotion is, I think, much more appropriate for dealing with trade expansion. In attempting to have this bill provide for control while also urging trade expansion, what has resulted is a misleading bill from its title throughout most of the new provisions covering export control policies and procedures, and would result in a divided responsibility.

The bill interposes a number of requirements in the administrative area which I believe to be unnecessary, burdensome, and costly for the Government; and apparently the President shares that view. These requirements include organizational and procedural changes by the Secretary of Commerce and extensive review of the complete export control list by the Department of Commerce, frequent notification and detailed explanation to the Congress of routine exceptions authorized by the bill, a continuing review of reporting and documentation requirements together with detailed statements to the Congress of action taken, and a burdensome requirement that extensive information be provided to exporters throughout the Department's consideration of licensing applications. In addition, the bill establishes a new Presidential Commission on Export Expansion which would, to a considerable extent, duplicate work already being carried on by established organizations and would thereby confuse rather than assist the export expansion program.

The bill requires the President to include a detailed statement of his action, if he restricts exports without making the determination, that comparable goods are not available elsewhere or that the exports would make a significant contribution to the military potential, which would prove detrimental to the national security of the United States. Even though as an exception, the President is granted the authority to restrict in the interest of national security, any commodity or technology as long as he reports such action to the Congress, the effectiveness of those administering the act is bound to be inhibited by these changes. Exporters and representatives of other governments will read a significant change into the language of the bill and bring additional pressure to bear for reduction in controls on critical items and for approval of questionable export applications.

At best, the bill will be confusing to exporters, cause significant difficulties in administration, and stimulate troublesome court challenges. Further, it will give an unwarranted signal to the Soviet

Union that we intend to make our advanced industrial goods more readily available now, even though they have demonstrated no real desire for improved relations between East and West. In fact, last year's Czechoslovakian invasion stands as strong evidence against any such interest.

The bill could result in undue weakening of export controls with attendant risk to our national security.

The proposal which would replace the present Export Control Act is based on the assertion that factors which brought about the enactment of the Export Control Act no longer exist.

It is suggested that we are now living in an era in which the Soviet Union presents a reduced threat to the security of the United States. The fact is that the Soviet Union is a much greater threat to the security of the United States than it was when the Export Control Act of 1949 was passed. The Soviet economy then was undergoing a real struggle to provide the barest necessities for their own people because of the ravages of war when the Export Control Act was enacted in 1949. The Soviet Union has now become one of the world's greatest industrial powers. To conclude that such an economy provides less of a potential threat to this Nation than one which had a real struggle to provide the barest of necessities is absurd. Relative military capabilities of the United States and the Soviet Union in 1949 as compared with the present inevitably lead to the same conclusion.

Many of the provisions of the bill contradict each other. The present Export Control Act establishes a forthright policy of restricting exports on the basis of possible contributions to economic potential or military potential. Its language allows restrictions of exports whenever it is determined by the President that they make a significant contribution to the military or economic potential of a nation or nations, which would prove detrimental to the national security and welfare of the United States. The committee bill has eliminated the criteria of "economic potential" and retained only the "military potential" criteria.

In a modern industrial nation, economic potential and military potential are virtually synonymous.

Mr. President, it is ironic that the proposed bill in section 2(4) says that the Congress finds that "the uncertainty of Government policy toward certain categories of exports has curtailed the efforts of American business, yet this bill is sure to increase uncertainty. The whole announced purpose of the bill is to encourage the expansion of trade with all countries with which we have diplomatic or trading relations. This is stated in sections 3(1)(A), section 3(3), and section 4(a)(1). It is interesting to note, however, that in every case where this "change of policy" is stated, it is always followed by an exception which allows the President to make export determinations on the basis of national security, foreign policy of the United States, or the need to protect the domestic economy. Those are the criteria which are used in the present Export Control Act.

Thus the bill appears to encourage the expansion of trade on the one hand, while on the other hand it provides for essentially the same restrictions which presently exist.

Moreover, on the one hand the bill holds out the policy of equal treatment for all countries. Yet section 3(5) of the bill states that it is the policy of the United States to use its economic resources of trade potential to further its foreign policy objectives. This latter policy is the one under which the United States has been operating for many years and obviously nullifies the "equal treatment change." The form without substance becomes even more apparent when it is known that the President of the United States, the one who holds the authority, opposes a change in policy at this time. Administration spokesmen have made it very clear that the President feels he should be free to seek a more appropriate time for liberalizing trade with the Communist countries. Yet the Congress, if it should pass this bill, would give an overt indication of the change of policy or attitude of this country. I believe that the President should have this constitutional latitude to relate liberalization in the trade area to broader foreign policy considerations. This bill, in my view, is an attempt to preempt the President's judgment on timing and force him into a policy of liberalization, while still holding him responsible to determine specific export policy.

It has been represented—and a great deal has been made of this today—that the nations of Eastern Europe and the Soviet Union are currently trading with our Western allies to a much greater degree than they are with the United States "because of the unilateral restrictive policies of the United States." This is far too simplistic to be accurate. The items under export control represent only a tiny fraction of the goods generally exchanged in international trade. Western Europe does much more business with Eastern Europe than we do for many reasons, primarily because of geographical proximity and the ready availability of these products and the opportunity to get them shipped at a lower cost. And whether we would like to forget it or not, the two countries, West Germany and Japan, which have been offered here today as examples of countries that are taking advantage of an opportunity on which we have shut our doors, have costs very much lower than ours. And while it is pleasant to say that our businessmen can compete, we have only to realize, for instance, that most of our radios and many of the televisions we can buy today under American labels are made either completely in Japan or are assembled here with component parts that are manufactured in Japan.

They can undersell us in our own market. So it is obvious that they can undersell us in the Eastern European market. The great bulk of this trade between Eastern and Western Europe is in products which our companies are also free to export, if they can obtain orders and get the price.

The Department of Commerce testified that less than 2 percent of the export

license applications received for Eastern Europe are denied. Supporters of this bill claim that is true because American exporters just do not try to export to Eastern Europe or the Soviet Union in items on the control list in any degree because they know that they will be turned down. I do not know how exporters know they will be turned down if they do not apply, particularly if 98 percent of the applications are not turned down.

Exporters do not know they will be turned down because all but a small percentage of requests are granted. In the last quarterly report dealing with export control, I find that approvals were given for exports to East European countries and the Soviet Union for such items as harvesting machines, tractors, electronic digital computers, metal-working machinery, metal treating and metal powder molding machines, rubber processing and rubber products manufacturing machines and parts, nuclear radiation detecting and measuring instruments, synthetic rubber, metal-cutting milling machines, gear-cutting machines, well-drilling machinery, metal-processing and heat-treating furnaces, telecommunications apparatus, and many other similar exports.

I could continue with a much longer list. We have already become very liberal in our concept of the materials that can be exported on the theory that they do not increase their military potential. With approvals on such a broad group of industrial products, not to mention the many agricultural and less sophisticated product approvals, how would an exporter come to the conclusion that his application would automatically be turned down?

I am particularly disturbed by repeated statements by the bill's proponents that its intent is to increase trade in "peaceful goods." Yet most of the industry witnesses represented companies with highly advanced technological products such as electronic control equipment, computers, and machine tools. Enactment of this bill following our hearings could well lead to a conclusion that the intent of Congress is to consider the bulk of our advanced technological products as "peaceful goods" to be freed for unrestricted sale to Eastern Europe. The result could be serious misunderstandings among business, foreign governments, and those in charge of administering export controls. It is not simple to separate "peaceful" from "nonpeaceful" goods and referring to "wigs" or "needles" or "buttons" as is done by proponents of this legislation in their attempt to bring about relaxed control is just begging the issue.

Our vast experience in East-West trade should remind us that our friends in the Eastern bloc are not interested in setting up a continuing supply of American goods of this type. They want to get one as a prototype which they can copy. And this is the problem that I think the President should be free to face.

I have yet to hear a definition of "peaceful" goods that would apply in a workable manner to decisions on the export of computers, silicon transistors, hydraulic presses, high-precision anti-friction bearings, special alloys or nu-

merical control machines without considering each transaction. Not one witness before our committee suggested that their products now being required to have an export license should be removed from the controlled list. Not one of them testified that their products could only be used for "peaceful" purposes.

Why? Because all of them knew that their products do have military potential and that they do not have the information necessary to make a determination as to whether their use could be detrimental to the security of the United States.

The Export Control Act has not had a major detrimental effect on our trade balance and relaxing its provisions would not significantly improve our trade surplus despite contrary allegations. The dwindling of our trade surplus from over \$7 billion 5 years ago to an approximate balance is the result of basic economic factors, largely price factors, brought about by the unwise economic decisions of the past two administrations.

Most knowledgeable estimates indicate that trade with Eastern Europe, even under most favorable conditions, can grow only very modestly, and is unlikely in the foreseeable future to reach as much as 1 percent of our total exports.

Eastern European countries have, in general, carefully controlled bilateral trade with free world countries. They do not have free world currencies with which to pay for their purchases. And this fact probably controls much of their purchasing decisions.

For political as well as economic reasons, these countries try to maintain balanced trade with Western nations. For the years 1966, 1967, and 1968, U.S. exports to and U.S. imports from Eastern Europe were virtually in balance.

Shortage of foreign convertible exchange is a continuing fact of life for the Eastern European countries with the possible exception of the U.S.S.R., which has gold reserves. Even in the case of the U.S.S.R., however, there appears to have been a great reluctance to convert its gold reserves for foreign trade purposes. An exception occurred in 1963-64 when there was a grain disaster in the U.S.S.R. Late in the fall of 1963, the U.S.S.R. negotiated with the United States and purchased \$140 million worth of wheat—which was delivered in 1964. During this period the Soviet Union also purchased considerable amounts of grain from Canada, Australia, and Argentina. From time to time there are reports that the U.S.S.R. is selling gold in the English or Swiss financial markets.

The problem of payments for export by Eastern European countries is further complicated because of the lack of multilateral convertibility resulting from trade between the free world and the Soviet bloc countries. Export surpluses that may result from intrabloc trade cannot be used in trade with free world countries because of the lack of convertibility.

I believe a relaxation of U.S. export controls would at best provide a very marginal improvement in our balance-of-payments position with Eastern European countries. The level of the trade

between the United States and Eastern Europe in the last 3 years has averaged approximately \$200 million each way with a very slight export surplus in our favor.

East-West trade must be a two-way street. Because Eastern Europe has limited convertible currency, it must sell us about as much as it buys. However, Eastern Europe has few products which we need, and thus there is a limited basis for significant continuing two-way trade. The Soviet Union and Eastern Europe today are greatly interested in our advanced products and technology, many of which have both civilian and military significance, to expand their industrial capacity. Many of these transactions become one-shot deals with little or no follow-on sales prospects.

Mr. President, I find a further contradiction in the committee's action on the proposed bill. Section 7(c) provides that—

No department, agency, or official exercising any functions under this act shall publish or disclose information obtained hereunder which is deemed confidential or with reference to which a request for confidential treatment is made by the person furnishing such information, unless the head of such department or agency determines that the withholding thereof is contrary to the national interest.

Section 9 of the bill requires the agencies, departments, and officials responsible for implementing the rules and regulations authorized under this act to inform exporters of considerations which may cause a denial of license request so long as the information does not jeopardize the national security and effective administration of this act. The Department of Commerce, in its attempt to clarify the bill, recommended that a provision be included in this new section providing for confidentiality of business information. That request was turned down. We now have one section, section 7, requiring confidentiality, while the other section does not provide for confidential treatment of business information. I find this inconsistency in the bill unexplainable.

The penalties for violating the act have been changed from those presently contained in the Export Control Act. Despite the fact that the present penalties have been used primarily as a deterrent, the committee decided to do away with a possible 1-year jail sentence for a violation unless it could be proved that the violator did so knowingly. During our hearings and discussions of the committee, there was no indication that the present penalty provisions had been misused or abused. It is interesting that the change is justified on the basis of "concern over the constitutional question of a severe jail sentence and fine for unknowing violations." The present provisions authorizing up to 1-year imprisonment for a violation has been part of the act for 20 years, and nobody has been disturbed about it.

It seems to me that the proponents of the bill should either decide whether they want to have equal treatment between Communist and non-Communist countries except for specific Presidential determinations or whether they want some

differentiation retained as in the present Export Control Act. Section 3(3) of the bill states:

It is the policy of the United States that any export controls found necessary should be applied uniformly to all nations with which the United States engages in trade * * *

If, indeed, it is the intent of the bill to have equal treatment between Communist and non-Communist nations, why are unequal penalty provisions retained? Much harsher penalties are authorized in the event of exports contrary to the act with knowledge that such export will be used for the benefit of any Communist-dominated nation. The committee report properly states that this subsection is identical to one now contained in the Export Control Act. What it does not say is that the Export Control Act—the present one—differentiates between Communist and non-Communist nations, whereas this bill makes no such differentiation and in no other place in the bill is the term "Communist-dominated nation" used.

During our hearings, representatives of the Department of Commerce explained their desire to assist American business with its exports. That is one of the major purposes of the Department of Commerce. The Department of Commerce has major programs underway for the expansion of U.S. exports to meet the challenges posed by the unfavorable changes in this country's balance-of-payments position and the substantial drop recently in our normally favorable balance of trade.

Included among such programs are overseas trade fairs and exhibits, permanent trade center operations in a number of key cities in various areas of the world, governmental trade missions, governmentally sponsored industry trade missions, various market development efforts, the organization and partial financing of joint export associations, and a wide variety of commercial publications and information services.

Some of these are expansions of long-standing Commerce activities in this field, while others are recent additions. In addition, Commerce strongly represents the export trade promotional element within the executive branch on both policies and programs, including such matters as adequate export financing, export incentives and general reductions in tariff and non-tariff restrictions. Commerce is also actively engaged in reducing export documentation requirements and has recently taken several major steps to reduce the requirements for shipper's export declarations which should result in considerable savings to the trading community and increased efficiency in their export operations. All of these efforts are currently addressed primarily toward improvement of this country's trade balance and balance-of-payments position. They are pointed, more specifically, to achievement of a \$50 billion export goal by 1972.

In further explicit support of both this goal and general export expansion, Commerce supplements its normal complement of contact with the international trading community through its

National Export Expansion Council and the numerous Regional Export Councils which draw upon representative businessmen to advise the Department on export policies and programs and to assist in carrying them out. In addition, there is the Cabinet Committee on Export Expansion, chaired by the Secretary of Commerce, and its several subgroups whose main purpose is to achieve high-level policy coordination in interagency efforts to attain the \$50 billion export goal and continuing export growth. In recent years, Commerce has shown itself increasingly to be imaginative, constructive, and forceful in the promotion of our international trade and in the development of meaningful techniques to accomplish this end. Even greater efforts are now being addressed to this end.

The preceding comments relate primarily to export trade with free world countries. The majority report on S. 2696 indicated that the emphasis of the proposed Export Expansion Commission would be on trade with Eastern European countries. In this regard, the record of the Department of Commerce, as well as that of other executive branch agencies directly involved in the field of international trade, has been consistent with both executive branch policies toward this area and the realities of the trading situations and potential between the United States and Eastern European countries. Trade in peaceful goods and technical data has generally been favored and facilitated as executive branch policy permitted. From time to time there have been exchanges of trade missions in various technically oriented groups. There has been participation in some trade fairs in Eastern Europe and reasonable relaxation in U.S. export control has occurred. Most experts in East-West trade that have appeared before our committee and other congressional bodies on this matter seem to agree that the problem of increasing U.S. trade with Eastern Europe rests primarily on matters such as availability of export financing and of most-favored-nation treatment, the ability of Eastern European countries to export on a competitive basis to the United States goods that meet our market requirements and the general limitation on the ability of Eastern European countries to pay for increased exports from the United States. The problem is thus not primarily one of lack of U.S. export promotion activity regarding U.S. trade with these countries. However, there appears to be no justification for further unilateral initiatives by the United States in the field of East-West trade.

I would like to discuss further the Commerce Department's activities reducing required paperwork for exporters. On May 28, 1969, Kenneth N. Davis, Jr., Assistant Secretary for Domestic and International Business of the Department of Commerce, testified before our committee as follows:

The Department is aware that recent developments in documentation, computerization, containerization of merchandise, and continuous movement of goods require revision and up-dating of our techniques for obtaining compliance with export control regulations and for collecting export statis-

tics. We have already made some progress in this field of modernization. For example, we have introduced and are expanding the utilization of procedures for clearance of the export cargo at inland ports of origin—17 new ports were announced within the last 90 days. We also found it possible to remove the requirement for the vast majority of export declarations valued at under \$100.

Beyond this, we are going forward with experiments to test the feasibility of consolidated monthly reports by shippers and carriers, in summary form, or on computer tape or punch cards in lieu of declarations covering individual shipments. If this is successful, we should be able in time to effect a radical reduction in the use of export declarations. We expect shortly to begin an experiment designed to test the feasibility of having some of the declarations submitted by shippers directly to carriers, with some of the necessary checking being done by carriers and the remainder by the Census Bureau and the Office of Export Control after the shipment has left the country.

The Department has made good on this statement, despite suggestions by members of the committee that legislation would be necessary to bring about progress in the reduction of paperwork.

Perhaps members were basing their statements on policies followed during the previous administration.

I do not feel any responsibility to defend those whom they criticized. I do feel, however, that this administration in a relatively short period has taken action to reduce paperwork and save American exporters millions of dollars without jeopardizing the security of the United States.

On September 17, 1969, Secretary of Commerce Strans announced the changes:

Effective October 1, exporters will not be required to file shipper's export declarations for general-license shipments to Free World countries when the shipments are valued at \$100 through \$250. At present, export declarations are not required for such shipments to Free World countries when the shipments are valued at less than \$100. This change alone could eliminate 1½ million documents a year, or almost 20 percent of the total now required. At the same time, it would affect statistically only about 1 percent of the dollar value of U.S. exports.

General license shipments are those not requiring a validated export license from the Department's Office of Export Control.

Effective November 1 high volume exporters meeting requirements established by the Office of Export Control and Bureau of the Census have the option of filing monthly export declarations instead of a declaration for each export shipment to Free World countries of goods under Department of Commerce jurisdiction. Reports may be filed in specified written summary form or provided appropriately on computer tape or punched cards that are compatible with systems used by the Bureau of the Census.

This change will reduce paper work on export shipments as the number of qualified exporters availing themselves of this option increases.

Under a proposed rule change, exporters no longer will be required to submit export declarations to the Bureau of Customs for authentication before loading merchandise moving under Department of Commerce general licenses to Free World countries by air or sea. Instead, they may submit the documents directly to carriers that agree to review the declarations for acceptability before loading and to forward them subsequently to Customs.

This proposed change could affect between 85 and 90 percent of all declarations cover-

ing shipments to foreign countries other than Canada, which already is exempt from the pre-authentication rule. The effect could be to reduce the expense of documentation processing and runner time, reduce storage and demurrage costs caused by delays in paper work, and speed export shipments.

These changes are the result of the Commerce Department's continuing effort, in cooperation with industry and other Government agencies to streamline export procedures that in some instances have their origins back in the 19th century. While further improvement in documentation required by the Government is needed, most of the documents for export transactions stem from commercial practices that only industry can change.

I do not know, nor is it possible to accurately estimate, the full dollar savings the new procedures will achieve for U.S. exporters. However, recent testimony by an industry spokesman before our committee estimated the annual costs to American exporters to be \$100 million for filling out, filing, and processing the shipper's export declaration. Based upon this and other estimates, the new procedures should lead to very substantial savings for U.S. exporters.

There is still much to be done, and the Department of Commerce, under its present capable leadership, intends to do it.

We have been assured that for years it has been the Department's policy—limited only by budgetary restrictions—to maintain continual review of items requiring export licenses—adding to or deleting from the list whenever conditions warranted. I have confidence that the present administration intends to implement that policy and think they should be given an opportunity to prove themselves, just as they have proved themselves by reducing paperwork.

The committee hearings and in particular the information provided by the administration have demonstrated that no sharp reduction in regulatory authority is needed or warranted. The existing Export Control Act has been shown to have ample flexibility to accomplish everything that could be accomplished through this new proposal.

The Export Expansion and Regulation Act of 1969 as proposed in S. 940 has been modified to substantially restore the authority it at first had sought to weaken. We now have a bill which retains parts of the original proposal, parts of the present Export Control Act, and some provisions which are inconsistent with both. Proponents of the bill apparently feel that significant changes have been made from the present Export Control Act, but the actual substance of these is far less than would appear. It must be recognized that the bill will be interpreted as a liberalization signal if nothing else. There is no evidence of the Soviet Union's readiness to move toward closer relations with the West which would warrant overriding the President's judgment that this is not the time to signal a change in relations with a new export control policy.

The President and the Department of Commerce strongly oppose the added features of the bill for the reasons I have given.

I, therefore, urge an extension of the Export Control Act of 1949 with the moderate amendments approved by the other body last Thursday. For that purpose I have offered the pending amendment which simply would provide for extension of the present law plus the heretofore referred to amendments. My amendment would strike out all after the enacting clause and substitute language passed last Thursday in the other body by a vote of 272 to 7.

Mr. TOWER. Mr. President, will the Senator from Utah yield to me without losing his rights to the floor?

Mr. BENNETT. I yield to the Senator from Texas without losing my right to the floor.

The PRESIDING OFFICER (Mr. MURPHY in the chair). The Senator from Texas is recognized.

Mr. TOWER. Mr. President, I should like to associate myself with the remarks made earlier by the distinguished Senator from Utah (Mr. BENNETT). Those of us who serve on the Committee on Banking and Currency are well aware of the great knowledge and effective advocacy of the ranking minority member on the committee. Consequently it comes as no surprise to note that he has done an excellent job of presenting the factual practical reasons for our amendment. I would like to submit my reasons for supporting the amendment also, but I shall not take the time of this body to go over the same ground so adequately covered by the Senator from Utah.

Instead I should like to dwell on some of the philosophical reasons for supporting a straight extension of the Export Control Act of 1969. In the process of so doing, I shall try to place the Export Control Act in the context of the conflict between Soviet-Eastern bloc ideology and Western concepts of democracy.

There is a disturbing tendency on the part of those who seek broader markets for American products to forget the reason for which the Export Control Act was developed. It was primarily developed because this Nation found that it was making a direct contribution to Communist military and industrial strength. We discovered that the superior products developed by advanced American technology were being used by Soviet bloc countries to increase their capability to make partial or total war against the free world.

This reason is as relevant today as it was when the Export Control Act was first passed by Congress and signed into law. Unless we are willing to accept some very strange logic, we must concede that the Soviet Union and her satellite appendages are supplying the Communists who are fighting Americans in Vietnam with the wherewithal to continue doing so. Russian and Eastern European cargo vessels unloading in Haiphong harbor offer irrefutable proof of this, and it would take an ostrich-like approach to viewing reality to contend that the Communist nations would not make use of American-made machines and American-developed technology to streamline their war supply efforts if they were available to them. In short, there is very good reason for continuing this Nation's effort to restrict the flow of strategic

goods to the Soviet Union and her Eastern European allies.

I do not argue, however, that this should be a fixed, permanent, and unyielding American policy. The Export Control Act vests the President with discretionary power to vary the degree to which we limit the flow of American goods to Communist nations. This is only proper. We all look forward to the day when the Communists will show some indication that they are no longer interested in forcefully expanding their philosophy throughout the world.

The President is and should be free to encourage such a change of posture on the part of the Communists. He may well decide at some future time that a relaxation of the restrictions on the flow of strategic goods to the Communists would encourage them to adopt a more responsive attitude at the Paris peace table or a less expansionist approach to the Middle East. On the other hand, he may decide that the world situation dictates that Soviet Union and/or the East European nations be denied the fruits and benefits of American enterprise. If this is necessary, and I hope it will not be, the President should be able to act in an appropriate manner.

Just as the United States should not have an unyielding irreversible policy of "no trade" with Soviet bloc nations, it should not have a similarly overly rigid policy of unrestricted trade. There is every bit as much unreasonable rigidity in a policy of allowing our enemies unrestricted access to our technology and productivity as there is in denying them any access whatsoever to the products of our free enterprise economy.

I think then that we must be careful when we seek to broaden trade with Communist nations. We must realistically examine the uses to which American products and know-how are put by them. If they use them to provide consumer goods for their people, or if they demonstrate that they use them to "build bridges" to the West, then I say, "fine," let them have access to our goods. But, if they use them to make war on Americans or to impose communism on free men, then I say, "no"; this Nation will not contribute its technology, its machinery and its enterprise to such endeavors.

We must also examine just what we expect to gain from trading with Communist nations. Trade implies a two-way operation. They obviously want what we produce. What do they produce that this Nation wants or needs? I fear that the answer is "very little." I fear that this is so because the Communist countries are more concerned with applying their industrial might and technological know-how to devising methods for conquering individuals instead of satisfying their needs.

In conclusion, Mr. President, I should like to deal with one additional point. Opponents of a straight extension of the Export Control Act have argued that the present act places an intolerable burden on American firms seeking to expand their markets. Along with my colleagues on the committee, I have listened to the testimony of representatives of many large firms testify-

ing as to the difficulties they have encountered in securing export licenses.

I sympathize with those businesses. They have a legitimate reason to desire more efficient administration of the act. But I think it important that they heed the pledge of the representatives of the Commerce Department to streamline the administrative procedures involved in obtaining an export license. Furthermore, I think that they should note the announced intention of the President of the United States to follow a policy of trade expansion whenever it is consistent with the national well-being of the United States. I am satisfied by the pledges of the administration officials and of the President speaking through them. I certainly do not think that the Senate should force the President's hand in this matter.

Let me say, however, that there will be some hardship to businesses desiring to do business with Eastern bloc nations as a result of a simple extension of this act. I feel that the vast majority of businesses in this country are willing to make this sacrifice if it is in the interest of national security. This country has a tradition of businesses rising above short term self-interest in order to secure the best long-term interests of this Nation. Because I believe that the price is small in relation to the benefit gained, I feel that our Government can fairly ask that it be paid.

Mr. President, I urge that the Senate agree to the amendment offered by the Senator from Utah.

Mr. BENNETT. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. BYRD of Virginia. Mr. President, will the Senator from Utah yield?

Mr. BENNETT. I am happy to yield.

Mr. BYRD of Virginia. Mr. President, I favor an extension of the existing Export Control Act.

I feel the existing act provides the necessary machinery and flexibility to adjust the controls on our exports to meet a changing world situation and enable our export policy to continue to further the foreign policy of the United States.

My colleagues who support substantial changes in the Export Control legislation, seem to feel that the world situation has changed substantially in the 20 years since the original Export Control Act was enacted.

They would use a liberalization of the Export Control Act to expand trade with the Eastern European countries. They seem to feel that the situation between our country and the Communist bloc countries has improved to the point where the Congress should relax export controls.

Both the President and the Department of Commerce have evidenced a desire to adapt the current export control regulations to aid American business wherever they feel it is justified. There is flexibility in the present law.

But, I do not feel that our relationship with the Soviet Union today warrants passage of a bill that would announce a sense of the Congress that trade should

be used to build diplomatic bridges with the Communist countries.

I, for one, do not trust the Soviet Union. I have only to look to Cuba in 1962 and, more recently, the invasion of Czechoslovakia as evidence of the true nature of Russian policy.

But we have an even more urgent reason not to relax our trade policy with the Soviet Union—that is Vietnam.

It is inconceivable to me that we can relax our export policy with the Russians while they provide the bulk of the war materials to the North Vietnamese war efforts.

Contrary to what many people are starting to think, I do not see an early end to the Vietnam conflict.

We continue to suffer casualties and we continue to find Russian-built tanks and helicopters on the battlefield.

So long as we have any troops committed in South Vietnam, we do them a disservice by increasing the Communist war-making potential.

In short, I do not feel that there is any evidence that the Soviet threat to the United States has become so minimal that this body should announce its intent that our export policy be relaxed. In fact, the Soviets have become a stronger nation.

I do not feel that the Export Control Act should be weakened at this time. The act must continue to be administered in such a way as to insure that equipment and technology going to the Soviet Union and other Communist countries are not capable of being utilized to the detriment of the United States.

Mr. President, I shall support the amendment of the distinguished senior Senator from Utah.

Mr. PERCY. Mr. President, will the Senator from Minnesota yield?

Mr. MONDALE. I yield to the Senator from Illinois.

Mr. PERCY. Mr. President, I would not want to leave the impression that the minority side of the aisle does not have an opposing view to that expressed by the distinguished ranking member of the Committee on Banking and Currency. I support the bill and oppose the present amendment. I have done so after very long thought and deep consideration of this very important matter.

It is for both sound commercial and political reasons that I rise in support of the bill. As business witnesses testified before the Committee on Banking and Currency a market exists in eastern Europe for nonstrategic peaceful goods which the United States has now cut-off, for all practical purposes. Germany, Italy, France, Britain, Japan, and other developed countries on the other hand are busy making export sales to Eastern Europe and, thus, are strengthening their trade balance and their balance of payments.

Mr. President, within recent months I have visited every one of those Western European countries and have talked with government officials, as well as businessmen. They feel it is incredible that we are letting them get all this business, but they are happy to have it.

The United States is desperately in

need of improving its balance of payments, in fact more desperately in need than any single Western European country I have mentioned. They are doing a land office business with Eastern Europe.

For the first half of this year, our balance of payments shows a \$10.7 billion deficit on an annual basis for 1969. The third-quarter figure from preliminary indications shows no reason for encouragement. The U.S. trade balance which has traditionally been a heavy surplus enabling us to support further overseas commitments has been wiped out in 1969. In many cases Eastern European countries have turned first to the United States for various peaceful goods and when denied them by us, they have then turned to the Western European countries which are more than happy to get the export orders.

Mr. President, let me report as vividly as I can on the relationships which exists between our balance-of-payments deficit, the security of the United States, and particularly the security of Europe.

I have just today returned to the Senate from NATO. We know that the troop forces we have in the NATO countries are threatened by the ability of the United States to be able to support them as we have, as we have a \$1.5 billion deficit in our balance of payments to support our NATO troops.

We have with the NATO countries alone a \$15 billion budgetary item for our costs in NATO. I think it is in the interests of this country to maintain our present NATO commitment and I believe that the administration firmly supports maintaining our present troop level in Europe but that level will be gravely endangered if we cannot find the dollars to support our troops over there.

The bill does not seek to allow the export of items which would be of military potential to Eastern European countries. It merely seeks to smooth the path for the export of peaceful nonstrategic items which are currently not allowed to be exported, or which require a great deal of paperwork in order to be exported. The problem with these denials, as mentioned before, is that the Eastern European country can buy these items from other Western countries. Moreover, the real safety valve as written into the bill is that the President is empowered to forbid the export of any item to any country if he deems that export to be against the national interest.

We have taken fully into account in the bill the fact that the President can, at any time he wants, forbid the export of any item he feels is contrary to the national interest by adding to the military potential of Eastern Europe or any Communist nation.

The commercial problems of the current Export Control Act were well summed up last year by Mr. David Packard, who was then the chairman of Hewlett-Packard and is now Under Secretary of Defense.

Let me emphasize that he gave this letter to the Senate and the Committee on Banking and Currency at the time he was in civilian life, that he was speaking then as a citizen and as a businessman.

He was speaking with great knowledge in this field.

Here is what he had to say at that time:

The high level of unilateral U.S. controls makes our marketing task much more difficult. We must contend with the time and added expense required to make formal license application, the long delays encountered in obtaining decisions, and the fact that our East European customers and our East European sales force are never quite sure whether a substantial portion of our product line can be sold or not. Since most of the material over which the United States exercises unilateral export controls is readily available elsewhere, it seems to us that the high level of these controls merely serves to deny business to U.S. firms. The controls, in effect, serve to push East European purchasers into the hands of our West European and Japanese competitors who are only too willing to sell their products.

Mr. President, beyond strictly commercial interests, I think a political point can be raised. To alleviate tensions among the various countries, one of the most important policies that can be followed is to have continuing contacts. Trade relations are one such contact. The normal flow of trade and business can only help provide those contacts. If we cut ourselves off from the normal everyday flow of trade, how can we expect to normalize political and diplomatic relations when we will not trade?

How many times must we try the litmus test of a nation's real intentions? This is a phrase that Khrushchev himself used when I met with him in 1959, at the request of President Eisenhower, along with 30 other businessmen and political leaders, including Henry Cabot Lodge. He merely said, "You do not intend to trade; therefore, it is incredible to us that you intend to try to have any kind of peaceful relationship."

Mr. President, I am not naive enough to believe that Eastern European countries would not try to take every conceivable advantage of us that they could. Of course, they want to buy strategic materials. Of course, they want to know all our computer technology. Of course, they want to have full knowledge of our chemical plants. But if it is strategic we will not sell it to them. But on peaceful non-strategic goods, if they cannot get them from us, they will get identical goods from Western Europe, and as long as they can get identical goods from Japan, they will do so.

It is not so much the trading balance we need, but international liquidity that trade brings, the very thing that they are able to provide and do provide.

The assumption is made that, somehow or other, American businessmen are naive, that when they go into these relationships, they get skinned, and that, somehow, the other side ends up with the best of the bargain.

Mr. President, if there is any one field in this world where we are preeminent, where we are looked up to and highly regarded by every nation on earth, it is in our ability to produce high-quality goods at low cost.

I would say that when we trade with these countries we take back certain things we need. Certainly we need gold, as we all know, right now, even if they

have a total need for our particular product. If we sell to them, they have to pay for the products they buy and we need foreign exchange.

Mr. President, we should try to perforate the Iron Curtain. They put it up. We have been trying to perforate it and to drag it down every place we can.

In every eastern country I have visited, Rumania, Czechoslovakia, Yugoslavia, they frankly said, "Please, keep up these contacts with us. We need a yardstick by which to measure productivity, because we do not even know what our costs are."

A great deal of the dissatisfaction which has occurred in Eastern European countries has come about as a result of comparing themselves adversely with the standards established in the Western European countries. They know about these standards through trade.

We should encourage, not just facilitate, trade. This is the great debate that we had in the Committee on Banking and Currency, as to whether we should change one word—as to whether it is the purpose or intent of the United States and its government to "facilitate" trade, which is in the current law, or to "encourage" trade. That one word says to the American business community, "You are not disloyal when you deal in peaceful, nonstrategic goods. We encourage you to go ahead and trade, as long as Western European countries are going to get the business anyway."

In the last few days, NATO itself has adopted an East-West trading relationship resolution. NATO has set up an East-West Relations Committee, and U.S. delegates participated actively. They feel it is in the defense interests of all of us to see whether or not, in those areas where we are preeminent, we should maintain contact. It is for those reasons that I feel very strongly that this modest, small start toward getting into business, and doing business with Eastern Europe and perforating and continuing to take down the iron curtain of the Eastern European countries is in the national interest. It strengthens us, not weakens us. We strengthen ourselves by trading. We weaken ourselves when we give up and let the Germans, the Japanese, and everybody else do business that we simply turn down. We should be accepting the business and doing it so long as it is in the national interest, so long as it is in peaceful nonstrategic goods, and so long as we have the language written into the bill that is on the floor today, that the President has the authority "to restrict the export of goods and technology which would make a significant contribution to the military potential of any other nation or nations which would prove detrimental to the national security of the United States."

That would seem to me to be adequate protection for the interests of the United States.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. PERCY. I yield.

Mr. MAGNUSON. Mr. President, I want to associate myself wholeheartedly with what the Senator from Illinois has said. As he knows, I have long been an advocate of a move in this direction.

Over and beyond, he stressed the economic value of this bill; but if I know of one thing that is a tool for world understanding and peace, it is trade in non-strategic items. It is a great bridge for relieving tensions in the world.

Will the Senator agree with me?

Mr. PERCY. I agree with the Senator. There is no question that this is the kind of step we can take, with adequate security, toward peace and improving our balance of payments. We seem incredible to the countries of Western Europe. I go there to argue that our balance of payments is in trouble and that we need offsetting payments for troop costs, and yet at the same time I see us turn down millions and millions of dollars worth of business that the Western European countries do with Eastern European countries. Western Europeans think we are really naive.

Mr. MONDALE. Mr. President, we are ready for a vote.

Mr. DOMINICK. Mr. President, I just wanted to take the floor to say that I certainly do not agree with the Senator from Illinois in the position he has taken. I have been opposed to this line of discussion and talk for a number of years. I made a statement on it before the Foreign Relations Committee, and I have made three or four speeches on it. I am not going to take a long time now, because I know we are all anxious to get to a vote.

I am in support of the amendment of the Senator from Utah (Mr. BENNETT) and am opposed to expanding trade with Communist-controlled countries. One of my major reasons for doing so—and I just want to get it in the record while the Senator from Illinois is present—is the fact that we do not trade with individuals in those countries. All we trade with is a government-controlled corporation representing the government. It does not go to individuals or privately owned companies. It does not aid in the relationship of individuals. We simply sell to a Communist-controlled agency. It goes to the agent for each one of the Communist countries of Eastern Europe, and the Soviet Union besides.

I cannot conceive of why we should put ourselves in the position of strengthening the economies of Communist-controlled corporations at the very time when we have to expand our budget for military purposes in order to protect us from dangers posed by those very countries. It seems to me idiotic.

Mr. President, after reading the committee report on this bill, I must take exception to the conclusion which the majority report reaches, as stated in the last paragraph on page four of the report. This paragraph reads as follows:

The committee believes that virtually every major factor giving rise to the enactment of the Export Control Act has undergone a material change in the past 20 years. Under this circumstance, the committee believes, that it would be unwise to extend, without amendment, the existing law.

Where have these major changes occurred? Was it to show their dedication to peace that prompted the Soviet military action against Czechoslovakia? Does the continuing Soviet resupply of arms to the Arab commandos show that

the Soviet Union and her satellites want to help relieve the tensions in the Middle East? And what is there to indicate that the Soviet bloc has changed its position on the war in Vietnam? The evidence is much to the contrary. Eighty-five percent, or more, of the military and economic materials that go to the North Vietnamese are being supplied by the same countries to whom we are now being urged to grant more extensive trade privileges.

Most of the factors which prompted the enactment of the Export Control Act in 1949 and the amendments thereto in 1962 are still with us. We must not lose sight of the fact that the dominant reason for this act is to help protect the national security of the United States.

Why is the Soviet bloc interested in expanding trade? They produce very little that the West wants or needs, but they are very interested in having access to our technological advancements. The Russians, in particular, are interested in obtaining complete production units, designed and built by us and delivered to them ready to begin operation. This frees Soviet engineers and scientists to devote their energies to missiles and the building of larger and larger rocket motors and more sophisticated weapons. This is a major reason why we should be very cautious about giving the Soviet bloc greater access to strategic materials and equipment.

The present Export Control Act has not been a complete barrier to trade with the Soviet bloc. The present law is very flexible. At times I have felt it to be too flexible. It allows the President to vary the nature and extent of export controls from time to time, country to country, and commodity to commodity, depending on the international problem that in his judgment calls for the application of such controls. Thus, the President has under the present law the authority, in times of improved international conditions, to relax the administration of the law, and to tighten it in times of international tension.

In recent years, export licenses have been granted to ship substantial quantities of equipment and material to Soviet bloc countries, much of it having both civilian and military applications, for example: Since 1966, we have exported the following items to the following Soviet bloc countries:

Bulgaria: Polymerization plastic materials, electronic navigation aids.

Czechoslovakia: Synthetic rubber; molybdenum ores and concentrates; electronic computers; parts for electronic data processing machines; metalworking rolling mills; metalworking machinery; industrial trucks and similar handling equipment; nuclear radiation detecting and measuring instruments; power cranes and shovels, wheel or truck mounted.

East Germany: Synthetic rubber; copper and copper alloys; electronic computers; parts for electronic data processing machines; tire and rubber processing machinery; X-ray and radiological apparatus; nuclear radiation detecting and measuring instruments.

Hungary: Synthetic rubber; electronic computers; parts for electronic data

processing machines; metalworking milling machines; telecommunications apparatus; scientific, measuring, and controlling instruments.

Poland: Synthetic rubber; elasticizers; glycerine; iron and steel hoop or strip; cobalt and cobalt alloys; gear cutting machines; metalworking lathes; rolling mills and parts; rubber extruding, tire, and rubber processing machinery.

Rumania: Synthetic rubber; natural phosphates; benzene; rubber compounding chemicals; polymerization plastic materials; iron or steel plates or sheets; oil pipe of iron or steel; iron or steel pipes and tubes other than oil pipe; iron and steel structures and finished parts; electronic computers; internal combustion engines; metalworking presses; high frequency transceivers; electronic navigational aids; electronic search and detection apparatus, including radar; scientific, measuring, and controlling instruments.

U.S.S.R.: Coal tar and other cyclic intermediates; rubber compounding chemicals; alcohols and polyhydric alcohols; organic acids and chemicals; oxides and hydroxides of strontium, barium, or magnesium; aluminum oxide; polymerization plastic materials; reagents for concentration of ores, metals, or minerals; iron or steel plates and sheets; oil pipe of iron or steel; iron and steel structures and finished parts; internal combustion engines—not for aircraft; electronic computers; gear cutting machines; metalworking grinding and polishing machines; metalworking presses; converters, molds, and casting machines; metal processing furnaces and ovens; rubber extruding, tire, and rubber processing machinery; electronic navigational aids; telecommunications apparatus; parts and accessories for tractors and motor vehicles.

These are just a few in the long list of exports to the Soviet bloc. I feel that the Senate bill will not bring about an improvement, but would actually weaken our control over exports of strategic materials. For that reason I urge that we adopt this amendment and vote to extend the existing Export Control Act.

Mr. BROOKE. Mr. President, the bill which we are considering today is of very special significance. For the first time in over 20 years, Congress is focusing on export expansion as distinct from simple export control. The title of the legislation itself carries the message very clearly: in place of the old Export Control Act, we have proposed the Export Expansion and Control Act of 1969.

This is more than a change in emphasis; the new regulations and reviews required by the committee bill will have a significant impact on our overall balance of payments, the health of our domestic industry, employment and our gross national product.

As the committee report makes clear, the original Export Control Act was passed in 1949, at a time of heightening international tension and steady dependence upon the United States as a source of supply for a wide variety of industrial products. But that was 20 years ago. Since then, the nations of Europe have recovered and indeed surpassed their

previous industrial strength. Japan has become the third largest trading nation in the world. The vast majority of industrial and chemical products of which the United States was the sole source in 1949, are now readily available from a variety of sources both in the Western and the Eastern worlds.

In 1949, it made sense for the Congress to require a strict supervision over exports from the standpoint of national security, foreign policy interests, and protection of the domestic economy from excessive drain of scarce materials. In 1949, there were easily 1,300 products of military or industrial significance which could be obtained in sufficient quantity nowhere but in this country. It was in our national interest to prevent these chemicals and industrial products and alloys from becoming available to the Communist states of Eastern Europe, for at that time we did not know what their plans for military expansion and conquest might be. As the sole source for many of these goods, it was essential that we first protect our own markets and make these scarce resources available to our own manufacturers.

All of these considerations are still valid. There are probably many hundreds of products which we make in better quality than the other nations of the world; there is no doubt but that we are still the sole source of some of them. And there are some goods which are of military or strategic value and which we would not want to sell to Communist states under any circumstances. But I submit that disinfectants, cement, vaccines, yellow corn, textile finishing agents and fabrics, and herbicides and insecticides—to name but a few products for which export licenses are now required—are not likely to be among them. These products are available from a multitude of sources including the Soviet Union and Eastern Europe as well as a number of the developing nations of the world. To continue to require licenses for their export to Eastern Europe, with its inherent implication that such sales are somehow questionable if not downright unpatriotic, is of dubious economic or strategic value.

From the point of view of foreign policy, also, an exclusive emphasis on export control does not seem to be in our national interest. In 1949, the Soviet Union had just devoured the states of Eastern Europe. Any product which was sold to them would be of direct benefit to our former ally turned enemy. A strengthened Communist monolith in Europe could only threaten the security and well-being of the nations of Western Europe which were still trying to dig out from the ravages of a dreadful war. This is not the situation today. Our Western Allies are stronger than ever, and are trading in increasing amounts with their neighbors to the East. The Eastern states themselves have shown an unexpected degree of independence from the Soviet Union, refusing to be fully integrated into the economic grid, seeking trading partners and tourists from the West, and emphasizing national development rather than Communist ideology. It is now in our national interest to encourage such

trends. By selling our goods to the Eastern European states, we can help to insure that they will develop national industries and thereby decrease their dependence upon the bloc as a whole.

Finally, from the point of view of protecting scarce resources, I seriously doubt that control is as essential as it once was. To be sure, there are some products which are still in short supply and which the United States must preserve for domestic use. But world trade has expanded considerably since 1949. New sources of supply have been found on literally every continent. Vast supplies of copper and nickel, of oil and industrial diamonds, have been found in hitherto unsuspected regions of Africa. The Soviet Union has explored its own hinterland and discovered domestic sources of virtually every chemical and metal known to man. Products which once were in short supply are now available, and are obtained, from regions no one had even heard of 20 years ago. Thus the "short supply" justification for stringent export controls is also due for a thorough investigation.

Export expansion is in our national interest. We now have an unfavorable balance of payments. Higher wages and production costs necessarily drive up the cost of our products, and make them less competitive on the world market. Yet, because of the quality of certain goods we are able to sell our products, and should be able to sell more of them, to our trading partners. Increased sales abroad mean increased job opportunities, and more wages with which to purchase other products. An expansion of our exports thus benefits all sectors of the American economy, as well as restoring a favorable balance of payments and a greater confidence in the American dollar abroad.

The committee found that while the United States accounts for 16 percent of total free world exports, it has only 2 percent of total free world exports to Russia and Eastern Europe. A review of our export control policy and an expansion of our exports to these few nations may not provide the whole answer to our economic problems, but by creating a healthier atmosphere within which to work, and a healthier world trade pattern, it will alleviate one barrier to economic progress which is not only unnecessary but actually harmful to American business and industry.

The Committee on Banking and Currency held extensive hearings on our export policies. Its findings are worthy of reiteration for the balanced perspective and constructive suggestions which they embody. Very briefly, the committee found that the quantity and composition of U.S. exports has a very definite bearing upon the welfare of our domestic economy and upon the fulfillment of our foreign policy objectives. It found that totally unrestricted export of materials without regard to their military potential may adversely affect our national security and that of our allies. But the committee also found that unwarranted restriction of U.S. exports has a serious adverse effect upon the stability of our currency, and therefore upon our domestic economy. And we found that the uncertainty and ambiguity embodied in present Gov-

ernment policy has had the effect of curtailing American exports to the detriment of our balance of trade.

For this reason, we have chosen to emphasize that it is the policy of our Government to encourage the expansion of trade with all countries with which we have diplomatic or trading relations, imposing only certain carefully defined national security limits. Only those goods which, in the decade of the 1970's, would make a significant contribution to the military potential of an unfriendly state, or which must be conserved in order to protect domestic industry, would be placed on the restricted list.

In order to carry out this policy, the Secretary of Commerce is instructed by the committee to conduct a thorough review of the present commodity control lists with a view to making whatever changes are necessary in the list in order to further the policy and provisions of the act. And the Secretary is specifically instructed to take all steps necessary to encourage the development and promotion of trade with the Soviet Union and the nations of Eastern Europe.

On one point in particular I believe the RECORD should be clear. The bill does not in any way diminish the President's authority to protect the national security of the United States. Indeed, I would assert that it provides him additional avenues through which to do so. We should have learned by now that positive inducements to economic and other cooperation may well be the sturdiest barriers against hostile acts. The bill affords the President greater flexibility than in the past to seek out opportunities for erecting some positive structures of peace.

In doing so, however, the legislation leaves to the President ample discretion to determine whether, in particular circumstances, the national security is better served by restrictive or expansionist policies on trade with other nations. To be sure the bill creates a new philosophical context in which the President will be exercising his authority. It indicates a clear congressional preference for efforts to expand trade, where it is safe, profitable, and prudent to do so. But the language of the bill clearly reserves to the President the determination in specific cases. It may be that the Chief Executive will find that little or no immediate change in U.S. export controls over trade with Soviet bloc countries should be attempted.

The central point is that, if the opportunity does arise for the President to establish more fruitful trading relationships with one or more members of the Soviet bloc, the bill will enable the United States to do so. That is an authority which, I believe, a President as sensitive and concerned about international problems as Mr. Nixon is will find exceedingly valuable.

I was pleased and honored to work with the Senator from Maine (Mr. MUSKIE), the Senator from Minnesota (Mr. MONDALE), the Senator from Illinois (Mr. PERCY), and my other colleagues on the committee in forging this bipartisan proposal. I consider this new emphasis in U.S. policy a wise and well-designed initiative. I believe it will enjoy the sup-

port of the majority of Americans. I judge it to be the most sensible approach to the altered circumstances of international relations in the 1970's.

Mr. President, I urge the Senate to pass the bill in full realization that it will provide the United States with an enlightened and promising new direction for the fateful decade ahead.

Mr. MONDALE. Mr. President, the committee opposes the amendment.

Mr. BENNETT. Mr. President, I ask for a vote.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Utah, in the nature of a substitute. On this question the yeas and nays have been ordered and the clerk will call the roll.

The bill clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada (Mr. CANNON), the Senator from Idaho (Mr. CHURCH), the Senator from Mississippi (Mr. EASTLAND), the Senator from North Carolina (Mr. ERVIN), the Senator from Tennessee (Mr. GORE), the Senator from Indiana (Mr. HARTKE), and the Senator from Minnesota (Mr. McCARTHY) are necessarily absent.

I also announce that the Senator from Nevada (Mr. BIBLE), the Senator from Missouri (Mr. EAGLETON), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Rhode Island (Mr. PELL), and the Senator from Alabama (Mr. SPARKMAN) are absent on official business.

I also announce that, if present and voting, the Senator from Massachusetts (Mr. KENNEDY) would vote "nay."

Mr. GRIFFIN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from New York (Mr. GOODELL), the Senator from Oregon (Mr. HATFIELD), the Senator from Idaho (Mr. JORDAN), the Senator from South Dakota (Mr. MUNDT), the Senator from Ohio (Mr. SAXBE), the Senator from Illinois (Mr. SMITH) and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

The Senator from New York (Mr. JAVITS) is absent on official business.

The Senator from Arizona (Mr. GOLDWATER) is detained on official business.

If present and voting the Senators from New York (Mr. JAVITS and Mr. GOODELL), and the Senator from Oregon (Mr. HATFIELD) would each vote "nay."

The result was announced—yeas 34, nays 44, as follows:

[No. 131 Leg.]

YEAS—34

Allen	Dominick	Pearson
Allott	Fannin	Proity
Bellmon	Fong	Russell
Bennett	Griffin	Smith, Maine
Boggs	Gurney	Spong
Byrd, Va.	Hansen	Stennis
Cook	Holland	Talmadge
Cooper	Hruska	Thurmond
Cotton	Jordan, N.C.	Tower
Curtis	McClellan	Williams, Del.
Dodd	Miller	
Dole	Murphy	

NAYS—44

Aiken	Cranston	Hughes
Anderson	Ellender	Inouye
Bayh	Fulbright	Jackson
Brooke	Gravel	Long
Burdick	Harria	Magnuson
Byrd, W. Va.	Hart	Mansfield
Case	Hollings	Mathias

McGee
McGovern
McIntyre
Metcalfe
Mondale
Montoya
Moss
Muskie

Nelson
Packwood
Pastore
Percy
Proxmire
Randolph
Ribicoff
Schweiker

Scott
Symington
Tydings
Williams, N.J.
Yarborough
Young, N. Dak.
Young, Ohio

NOT VOTING—22

Baker
Bible
Cannon
Church
Eagleton
Eastland
Ervin
Goldwater

Goodell
Gore
Hartke
Hatfield
Javits
Jordan, Idaho
Kennedy
McCarthy

Mundt
Pell
Saxbe
Smith, Ill.
Sparkman
Stevens

So Mr. BENNETT's amendment in the nature of a substitute was rejected.

Mr. MONDALE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. MUSKIE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill (S. 2696) was ordered to be engrossed for a third reading and was read the third time.

Mr. MONDALE. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of H.R. 4293, the companion bill.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 4293) to provide for continuation of authority for regulation of exports.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Minnesota?

Mr. COTTON. Mr. President, reserving the right to object, if the House bill is substituted, there will be no opportunity for a record vote on the passage of the Senate bill. I therefore object to the substitution.

Mr. President, I ask for the yeas and nays on the passage of the Senate bill.

Mr. MONDALE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MONDALE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. MILLER. Mr. President, I object.

The PRESIDING OFFICER. Objection is heard. The clerk will continue to call the roll.

The bill clerk resumed the call of the roll.

Mr. MONDALE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MONDALE. Mr. President, I understand that we have had third reading of the Senate bill and that amendments are therefore not in order.

The PRESIDING OFFICER. I am advised by the Parliamentarian that third reading has been had on the Senate bill and that amendments are not in order on the Senate bill. When the House bill

becomes the order of business, amendments can be offered at that time.

Is there objection to the present consideration of the House bill?

Mr. COTTON. Mr. President, reserving the right to object, I want to make perfectly sure that we understand what is being done. If the unanimous-consent request is agreed to, the House bill will be before the Senate.

The PRESIDING OFFICER. The Senator is correct.

Mr. COTTON. Then I must object. I do not desire an opportunity to have a record vote against the House bill, but I do desire an opportunity for a record vote, so that I can vote "nay" on the Senate bill, which I consider to be a monstrosity.

Mr. MONDALE. Mr. President, will the Senator yield?

Mr. COTTON. I yield.

Mr. MONDALE. The modified measure is the Senate version against which the Senator from New Hampshire may vote, if he desires.

The PRESIDING OFFICER. If the Chair correctly understands, the Senator from New Hampshire does not want to vote objection to the House bill even as amended. Is that correct?

Mr. COTTON. It is not clear to the Senator from New Hampshire. Is this unanimous-consent request a request that the House bill be substituted for the Senate bill?

The PRESIDING OFFICER. Not yet, no.

Mr. COTTON. If it is granted, it will be.

The PRESIDING OFFICER. It is desired to get the House bill before the Senate; and before the Senate language can be added to the House bill, it will have to be offered as an amendment. In other words, the House bill will be before the Senate, and the language of the Senate bill will be offered as an amendment to the House bill.

Mr. COTTON. So that a rollcall vote on the amendment, which adds or substitutes the Senate language to the House bill, will be the same as a rollcall vote on the final passage of the Senate bill had it been left intact.

The PRESIDING OFFICER. The Senator is correct.

Mr. COTTON. Then, I withdraw my objection.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the House bill.

The bill is open to amendment.

SEVERAL SENATORS. Third reading.

Mr. MONDALE. Mr. President, I move that the language of S. 2696 be substituted for the text of the House bill.

Mr. COTTON. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. MILLER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. MILLER. Is it in order now for me to offer an amendment to the pending substitute?

The PRESIDING OFFICER. It is in order.

Mr. MILLER. I send to the desk an

amendment to the present substitute and ask that it be read.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

On page 3, line 4, after the word "extent", strike out "absolutely".

Mr. MILLER. Mr. President, the purpose of the amendment is to make this part of the bill read exactly the same as the succeeding two sentences, where they refer only to the extent necessary, rather than to the extent absolutely necessary. My amendment would strike out the word "absolutely." I have discussed this with the manager of the bill. I understand that he is amenable to accepting it.

Mr. MONDALE. The committee has no objection and will be glad to take the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Iowa.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

SEVERAL SENATORS. Vote! Vote!

The PRESIDING OFFICER. The question is on agreeing to the amendment in the nature of a substitute for the House bill, as amended. The yeas and nays have been ordered.

Mr. BYRD of West Virginia. Mr. President, may we have order, and would the Chair please restate what we are about to vote upon?

The PRESIDING OFFICER. The question is on agreeing to the language of S. 2696, as amended, as a substitute for the House bill.

Mr. BYRD of West Virginia. I thank the Presiding Officer.

The PRESIDING OFFICER. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia (after having voted in the affirmative). Mr. President, I have already recorded my vote as "yea" on this question. I have a live pair with the able majority leader, the Senator from Montana (Mr. MANSFIELD). If he were present, he would vote "yea." If I were permitted to vote I would vote "nay." Therefore, I withdraw my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada (Mr. CANNON), the Senator from Idaho (Mr. CHURCH), the Senator from Mississippi (Mr. EASTLAND), the Senator from North Carolina (Mr. ERVIN), the Senator from Tennessee (Mr. GORE), the Senator from Indiana (Mr. HARTKE), the Senator from Minnesota (Mr. MCCARTHY), the Senator from Arkansas (Mr. McCLELLAN), the Senator from Georgia (Mr. RUSSELL), and the Senator from Georgia (Mr. TALMADGE) are necessarily absent.

I also announce that the Senator from Nevada (Mr. BIBLE), the Senator from Missouri (Mr. EAGLETON), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Montana (Mr. MANSFIELD), the Senator from Rhode Island (Mr. PELL), and the Senator from Alabama (Mr. SPARKMAN) are absent on official business.